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UPDATES ON EFFORTS TO COMBAT PIRACY

(113–7)

HEARING

BEFORE THE

SUBCOMMITTEE ON
COAST GUARD AND MARITIME TRANSPORTATION

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

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SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Coast Guard and Maritime Transportation
FROM: Staff, Subcommittee on Coast Guard and Maritime Transportation
RE: Hearing on "Update of Efforts to Combat Piracy"

PURPOSE

On Wednesday, April 10, 2013, at 2:00 p.m., in 2167 Rayburn House Office Building, the Subcommittee on Coast Guard and Maritime Transportation will hold a hearing to review the efforts of the federal government to safeguard U.S. and international interests against acts of piracy off the coast of Africa and other waters.

BACKGROUND

Current Trends

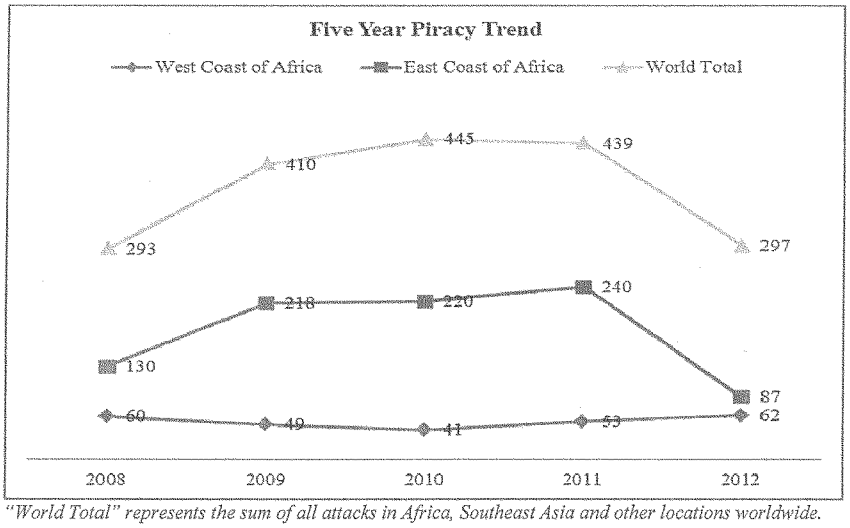
According to the International Chamber of Commerce International Maritime Bureau, the number of pirate attacks reached a 5-year low in 2012 with 297 vessels attacked compared with 439 in 2011. The number of mariners taken hostage or kidnapped for ransom fell from 802 in 2011 to 611 in 2012. The number of mariners killed fell from 35 in 2011 to 6 in 2012.

The reduction in the number of attacks worldwide in 2012 is primarily the result of a large drop in attacks off the East Coast of Africa, specifically off the Coast of Somalia. In 2011, 237 vessels were attacked and 28 hijacked off the East Coast of Africa. In 2012, the number of vessels attacked and hijacked in the area fell to 75 and 14 respectively. As of April 1, 2013, pirates operating out of Somalia held 5 vessels and 65 mariners hostage.

Although the number of pirate attacks have fallen off Africa's East Coast, the number off the West Coast, especially in the Gulf of Guinea, has risen in recent years. In 2011, 53 vessels were attacked off the West Coast. In 2012, the number of attacks rose to 62. Pirate attacks in these waters are often violent, planned, and aimed at stealing refined oil products, which are then sold on the black market.

Piracy is also prevalent in the waters off the Indonesian archipelago where the number of attacks has increased yearly since 2009. Although most of these attacks involved robbery and petty theft, 47 mariners were taken hostage in 2012.

Since 2008, pirates have attacked or attempted to attack 20 U.S.-flagged vessels. Pirates took three Americans hostage and killed four Americans. A complete list of pirate attacks on U.S.-flagged vessels and American citizens is attached to this memo.



"World Total" represents the sum of all attacks in Africa, Southeast Asia and other locations worldwide.

Plan

National Security Council Counter Piracy Plan: In December 2008, the National Security Council (NSC) issued its "Countering Piracy Off the Horn of Africa: Partnership and Action Plan" (Plan), which outlines the strategies the federal government will pursue to mitigate piracy. The Plan directs three "lines of action":

1. Preventing Pirate Attacks by Reducing Vulnerabilities: The Plan calls for an international naval force to patrol waters off the Horn of Africa and share intelligence on pirate activities; the establishment of a Contact Group of countries willing to work together to coordinate responses to piracy; and for vessels to adopt best management practices to avoid pirate attack.

2. Interrupt Acts of Piracy: The Plan calls for the United States and international partners to interdict pirate vessels and intervene in pirate attacks.

3. Hold Pirates Accountable: The plan calls for the establishment of agreements with African and other nations to prosecute captured pirates.

Prevention

U.S. Efforts

Efforts To Protect U.S. Vessels and Crew: Section 70103 of title 46, United States Code, requires U.S.-flagged ocean-going commercial vessels to file Vessel Security Plans (VSP) with the Coast Guard which outline the technologies, procedures, and policies the vessel will implement to deter a security incident. The Coast Guard periodically issues Maritime Security (MARSEC) Directives requiring vessel owners to update their VSPs to respond to the latest security threats. MARSEC 104-6, released in May 2009 and currently in its sixth revision, requires vessels transiting High Risk Waters (HRW) to include antipiracy measures in their VSPs. The Coast Guard defines HRW as a body of water or area where an act of terrorism, piracy, or armed robbery against ships is prevalent. The Coast Guard has designated waters off the Indonesian Archipelago, the Gulf of Guinea, South America, and much of the Indian Ocean, Gulf of Aden, and Arabian Sea as HRW.

Dozens of U.S.-flagged vessels operate in HRW on a daily basis, delivering food aid, military cargoes, and other supplies to countries and industries in these areas. Vessel operators have worked closely with the Coast Guard and the Maritime Administration (MARAD) to develop Best Management Practices for Protection Against Somali Piracy (BMP), which have formed the backbone of the antipiracy measures required by MARSEC 104-6. These BMPs include: proceeding at full speed and posting additional lookout while transiting HRW, regularly reporting positions to military authorities, employing physical barriers such as razor wire, and carrying armed security.

The Coast Guard, MARAD, and the Department of State (DoS) have provided additional guidance and policy to U.S.-flagged vessels. This guidance includes updates to HRW, legal assistance on the use of private security, and other pertinent information. Much of this material is distributed via Port Security Advisories (PSAs), which are all available on the Coast Guard's Homeport website. MARSEC Directive 104-6, the BMPs, and the PSAs have been continuously updated based on lessons learned from attempted and successful pirate attacks.

MARAD, with assistance from the Military Sealift Command, has developed an Anti-Piracy Assistance Team (APAT) to help merchant mariners combat piracy in foreign waters. The APAT visits U.S.-flagged vessels in port to assess their physical security vulnerabilities and provide mariners with BMPs against piracy. Finally, MARAD developed a training curriculum for mariners on antipiracy procedures. Pursuant to Section 502 of the Coast Guard and Maritime Transportation Act of 2012 (P.L. 112-213), MARAD is currently updating the curriculum to include training on firearm safety for vessels with armed security and procedures to follow to improve mariner survivability if taken hostage by pirates.

International Efforts

Working with DoS, the Coast Guard and MARAD share information with several international organizations and other nations on best management practices, international and foreign laws governing shipboard security measures, and instances of actual or attempted piracy.

Contact Group on Piracy: Pursuant to United Nations Security Council Resolution 1851, the Contact Group on Piracy off the Coast of Somalia (CGPCS) was established on January 14, 2009 to facilitate the discussion and coordination of actions among states and organizations to suppress piracy. The Working Groups are tasked with military and operational coordination, capacity building, judicial issues, shipping self-awareness, and public information related to piracy. As the U.S. representative, the Coast Guard sits on all five Contact Groups and previously chaired Working Group Three, Shipping Awareness.

Maritime Security Centre – Horn of Africa: In 2008, the European Union (EU) established the Maritime Security Centre – Horn of Africa (MSC-HOA). MSC-HOA provides 24 hour manned monitoring of vessels transiting through the Gulf of Aden. MSC-HOA coordinates military escorts for transits of vessels through HRW. MSC-HOA will also work with particularly vulnerable vessels and coordinate appropriate protection arrangements with naval forces in the area.

Somalia Capacity Building: A permanent solution to piracy off the East Coast of Africa will not come until a stable and effective government returns to Somalia. DoS continues efforts to counter piracy by working with the United Nations and other countries to help the Somali Transitional Federal Government establish effective governance and provide security and economic livelihoods for Somali citizens.

Interruption

U.S. Efforts

Combined Task Force 151: In 2009, U.S. Naval Forces Central Command (NAVCENT) established Combined Task Force 151 (CTF-151), which is a multi-national naval force that executes the counter-piracy mission in and around the Gulf of Aden, Arabian Sea, Indian Ocean, and the Red Sea. It consists of naval and maritime assets from approximately 20 coalition nations.

While the Coast Guard does not conduct independent operations in the area, it is a force provider for U.S. Central Command, which regularly requests Coast Guard Law Enforcement Detachments (LEDET) for deployment on Navy ships in support of CTF-151. LEDETs are highly skilled law enforcement teams with expertise in law enforcement tactics, case package preparation, and chain of custody for evidence and apprehended suspects.

International Efforts

The European Union Naval Force Operation Atalanta: The European Union Naval Force (EUNAVFOR) Operation Atalanta was launched by the European Union (EU) to protect World Food Program vessels delivering aid to displaced Somalians. The other major objective of Atalanta is to detect, prevent, and repress acts of piracy and armed robbery off the coast of Somalia. Different from other antipiracy military operations, the EU has authorized its navies as part of Operation Atalanta to strike Somali pirate equipment on land; allowing warships or helicopters to fire at fuel barrels, boats, trucks or other equipment stowed on beaches. The EU has announced that Operation Atalanta will terminate in December 2014.

Other Naval Activities: On any given day up to 30 vessels from as many as 22 nations are engaged in antipiracy operations in the region. Other navies from Asia and the Middle East, including China, Russia, and Iran, conduct counter-piracy patrols and escort operations. These are independent from efforts of CTF-151 and EUNAVFOR, but are coordinated through participation in Shared Awareness and Deconfliction meetings, which helps ensure communication among navies patrolling the region.

Prosecution

Piracy has been a crime of universal jurisdiction under customary international law for centuries. As such, every nation has legal authority to establish jurisdiction and punish offenders, regardless of the nationality of the pirate, the victim, or the vessel involved. Since 2008, the United States has successfully convicted 24 pirates in 5 separate cases involving attacks against U.S.-flagged vessels. An additional three pirates currently face the death penalty for the murder of four Americans aboard the SV QUEST in February 2011.

The DoS has worked with the United Nations and foreign nations to establish partnerships for prosecuting pirates and an international trust fund to help nations defray the expenses associated with prosecution and incarceration of pirates. The DoS also negotiated a prosecution agreement with the Seychelles, which enables U.S. forces to deliver captured pirates there for prosecution and incarceration. The United States previously had a bilateral prosecution agreement with Kenya through which the United States transferred approximately 25 pirates for trial. However, Kenya formally withdrew from that agreement in September 2010. Other nations must secure their own bilateral agreements for prosecution or prosecute in their own courts. As of January 2013, over 1,179 prosecutions of acts of piracy have been completed or are currently ongoing in 21 countries.

Issues

Private Security

Industry has increasingly turned to private security companies to protect their vessels, crews, and cargo. International consensus appears to be shifting towards private security because it is effective at stopping pirate attacks, does not require costly military involvement, and does not require mariners to take up arms on their own. MARSEC Directive 104-6 encourages U.S.-flagged vessels to consider using private security for these same reasons. The Coast Guard Authorization Act of 2010 (P.L. 111-281) provided liability relief to the owner, operator, charterer, captain, crew, and private security teams of U.S.-flagged vessels for actions they take to defend their vessel against pirate attacks.

Cost: The operators of U.S.-flagged vessels transiting HRW and carrying Department of Defense (DoD) cargo in support of military operations in the Middle East are reimbursed by DoD for the cost of employing private armed security. However, U.S.-flagged vessels transiting HRW and carrying humanitarian cargoes generated by the United States Agency for International Development are not reimbursed by DoS for the cost of employing private armed security. Section 503 of P.L. 112-213 requires the Secretary of Transportation to direct agencies carrying government impelled cargoes such as humanitarian aid to reimburse, subject to the availability of appropriations, vessel operators for the cost of employing such security.

Certification: As more vessels navigating HRW turned to armed security for protection, vessel operators and insurers identified the need for a professional standard to which maritime security companies could be held. In response, the International Organization for Standardization (ISO) developed specification ISO 28007, Guidelines for Private Maritime Security Companies Providing Privately Contracted Armed Security Personnel Aboard Vessels. ISO 28007 contains requirements for private maritime security companies to meet to be ISO certified. The development of these international minimum standards is expected to further help vessel operators employ private security in a responsible manner.

Port Entry: Several nations prohibit commercial vessels carrying armed security from entering their ports. DoS is the lead agency charged with helping U.S.-flagged vessels determine the legality of armed security in foreign ports. DoS has also worked through the CGPCS to develop procedures for vessel masters to declare and properly secure weapons when entering foreign ports. Nevertheless, local port officials occasionally ignore international procedures and hold vessels and crew until gratuities are paid. In addition, several vessel operators are often forced to pay to have weapons helicoptered off their vessels prior to entering port or throw the weapons overboard.

Lack of Security Measures Aboard Foreign Flagged Vessels

Although U.S.-flagged vessels are required to adhere to Coast Guard antipiracy MARSEC directives, other flag states do not require their vessels to implement similar

robust security plans and measures. The United States recently proposed an amendment to the International Ship and Port Facility Security Code that would have required the International Maritime Organization nations to mandate adherence to guidance similar to the Coast Guard's MARSEC directives for U.S.-flagged vessels. It failed to pass.

Disrupting Pirate Financing

In April 2010, the President signed Executive Order 13536, which declared that "...the persistence of violence in Somalia, and armed robbery at sea off the coast of Somalia...constitute an unusual and extraordinary threat to the national security and foreign policy of the United States...". The Executive Order provides authorization for the United States to seize assets from anyone determined to be committing acts of piracy and prosecute those providing material support. On April 4, 2013, the President extended the Executive Order for an additional year.

Although the United States has a long tradition of opposing the payment of ransoms, the Executive Order drew criticism from both industry and labor over concerns the prohibition on materiel support would make the payment of ransom illegal. Vessel operators were concerned they could be liable for ransom payments. Labor was concerned the Executive Order would prevent future ransom payments, which could result in prolonged captivity or death for captured mariners. The Department of the Treasury's Office of Foreign Assets Control (OFAC) made it clear that liability will not be waived. However, OFAC has offered to work with industry to determine if a vessel operator would be liable as a result of any specific ransom payment.

There is currently little visibility on where ransom money goes after it is paid. There are concerns that ransoms could be used to finance the activities of several terrorist organizations known to operate in Africa. DoS has taken the lead in efforts to track the flow of pirate financing and supplies. DoS formed a new working group in the CGPCS to facilitate multilateral coordination and is working closely with INTERPOL to develop a database on Somali piracy to help further criminal investigations against piracy financiers and ringleaders. In September 2012, the Committee requested the Government Accountability Office (GAO) investigate the effectiveness of actions taken by the federal government to track ransom payments and prosecute piracy financiers and ringleaders. The GAO expects to complete the report by the end of the year.

WITNESS LIST

Rear Admiral Joseph Servidio
Assistant Commandant for Prevention Policy
United States Coast Guard

Rear Admiral Joseph Kuzmick
Director, Operations and Plans
United States Navy

The Honorable David Matsuda
Administrator
Maritime Administration

The Honorable Thomas Kelly
Principal Deputy Assistant Secretary, Bureau of Political-Military Affairs
Department of State

Mr. Neil Smith
Head of Underwriting
Lloyd's Market Association

Pirate Attacks Involving U.S. Citizens

M/V MAERSK ALABAMA: The M/V MAERSK ALABAMA, a U.S.-flagged cargo ship, was attacked by Somali pirates in April 2009. The crew sequestered themselves in the engine room while Captain Richard Phillips and three other crew members attempted to negotiate with the pirates. The men on deck with Phillips managed to lure one of the pirates below deck and take him hostage. The pirates on deck then took Captain Phillips hostage and retreated to a life raft. The USS BAINBRIDGE arrived on scene carrying a contingent of Navy SEALs and began negotiating for the Captain's release. When it appeared that the pirates were preparing to execute Phillips, the operational commander ordered the use of deadly force and three SEAL snipers fired simultaneously, killing all three pirates aboard the life raft. Phillips was recovered uninjured. The sole surviving pirate was tried in Federal court and sentenced to 34 years in prison.

M/V LIBERTY SUN: The M/V LIBERTY SUN, a U.S.-flagged cargo ship, was attacked by pirates in April 2009. Pirates fired rocket-propelled grenades (RPGs) and automatic weapons at the ship, which sustained some damage. The ship increased speed and began evasive maneuvers, which succeeded in forcing the pirates to break off the attack. The U.S. Navy responded, though the pirates had already departed, and escorted the ship to its destination in Mombasa, Kenya. None of the crew were taken hostage or injured during the assault.

USS NICHOLAS: The USS NICHOLAS, a guided missile frigate, was attacked by pirates in April 2010 and took small arms fire. NICHOLAS fired back and gave chase, ultimately capturing five pirates, one skiff, one mother ship, and small arms. The pirates were tried in Federal court and convicted of piracy.

USS ASHLAND: The USS ASHLAND, a Dock Landing Ship (LSD), was also attacked by Somali pirates in April 2010. Six pirates fired on the ASHLAND with small arms. The ASHLAND fired back, setting the pirates' skiff ablaze and ultimately sinking it. All six pirates were apprehended, tried in Federal court, and convicted of piracy.

Sailing Vessel QUEST: The Sailing Vessel QUEST was attacked hijacked by pirates in February 2011. Jean and Scott Adam from California and Phyllis MacKay and Bob Riggle from Washington state, all American citizens, were onboard at the time and were taken hostage. The U.S. Navy and Combined Task Force 151 (CTF-151) forces responded and began to negotiate for the hostages release. Two pirates boarded the USS STERETT to conduct negotiations. The pirates still aboard the QUEST fired a rocket-propelled grenade (RPG) at the STERETT, but it missed. Gunfire was heard aboard the QUEST. U.S. Navy SEALs rushed aboard the ship and engaged the pirates. However, all four hostages were killed. Two pirates were found dead and two more were killed by the Navy SEALs, one with a knife in hand-to-hand combat. 13 pirates were captured alive in addition to the two already aboard STERETT. To date, 12 pirates were tried in Federal court and convicted of piracy, while three remain in custody facing the death penalty in a pending trial for piracy and murder.

OSV C-ENDEAVOUR: The C-ENDEAVOUR, a U.S.-flagged offshore supply vessel (OSV), was hijacked by pirates off the Nigerian coast on November 17, 2011. Eight gunmen attacked the OSV owned by Edison Chouest and working for Chevron approximately 70 nautical miles offshore from Bayelsa state in Nigeria's Niger Delta. Three men, two from the U.S., were kidnapped and held for two weeks before they were released for an undisclosed ransom. No pirates have been apprehended.

UPDATES ON EFFORTS TO COMBAT PIRACY

WEDNESDAY, APRIL 10, 2013

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COAST GUARD
AND MARITIME TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:04 p.m. in Room 2167, Rayburn House Office Building, Hon. Duncan Hunter (Chairman of the subcommittee) presiding.

Mr. HUNTER. The subcommittee will come to order. The subcommittee is meeting this morning to review efforts by the United States and the international community to respond to piracy on the high seas and prevent future attacks. Since the subcommittee's last hearing on this topic, there has been a dramatic reduction in the number of attacks off the Horn of Africa. I commend the industry, labor, the Federal Government, and the international community for working together and taking strong actions to improve the safety and security of the crews, vessels, and cargoes transiting those strategically important waters.

Unfortunately, although the situation has improved on the East Coast of Africa, it has deteriorated on the West Coast. Attacks on vessels and mariners in the Gulf of Guinea have risen nearly 20 percent from 2011 to 2012. Pirates are venturing further from shore and using more violent tactics. In just the last few weeks, pirates operating out of Nigeria hijacked more than 5 vessels, taking more than 20 mariners hostage, and killing 1 crewmember.

The United States is not immune from the violence. Since 2008, pirates have attacked or attempted to attack 20 U.S.-flag vessels. Pirates took three Americans hostage, including two working on a U.S.-flagged offshore supply vessel in the Gulf of Guinea. In 2011 pirates ruthlessly murdered a retired couple from southern California and their two friends from Washington State as they sailed through the Indian Ocean.

In addition to the human cost, piracy impacts our economy by driving up the cost of moving critical commodities. By some estimates, the cost of piracy on the world economy is more than $7 billion. The cost to the U.S. taxpayer to provide Navy patrols and reimburse industry for their cost to move defense and humanitarian cargo through high-risk waters is immense, totaling more than $65 million in a recent year.

Finally, I am concerned with the impact piracy is having on our national security. Piracy has become a multimillion-dollar criminal enterprise funded by ransoms and the black market sales of stolen

oil and other cargoes. Tracking ransom payments and capturing pirate financiers has proven tremendously difficult. This is concerning, as we know terrorist groups are operating in Africa. I look forward to hearing from our witnesses on what actions they are taking to improve our ability to disrupt pirate financing.

Piracy is recognized internationally as a crime against all nations, and it is a crime to which all nations must respond. This hearing provides us with a chance to examine ways to respond to the ongoing threat. It is important for us to find solutions to minimize if not end this threat and its impact on our citizens, economy, and national security.

I thank the witnesses for appearing today, and look forward to their testimony. With that I yield to Ranking Member Garamendi.

Mr. GARAMENDI. Mr. Chairman, thank you for scheduling this afternoon's hearing to update the subcommittee on the progress made by the administration, the international governments, and nongovernment partners in dealing with the issue of piracy.

You are certainly correct. Off the coast of Somalia great progress has been made. However, we have got issues off the coast of Africa. I am going to keep my remarks brief. With your permission and the committee's, my opening statement could be read into the record.

I do want to express appreciation to Mr. Neil Smith, the head of underwriting for Lloyd's Market Association, the international marine insurers, to come here on very, very short notice to share his insights on how the marine insurance industry addresses this rather risky issue of piracy.

Thank you very much, Mr. Smith. And for all the witnesses, thank you for your testimony today. Mr. Chairman, you have covered much of what I would say. And so, with that, I will pass back my time and let's get on with the hearing.

Mr. HUNTER. Thank the ranking member. I would like to yield to the only Coast Guardsman in Congress. We don't do opening statements in this committee any more because it takes too long, but we are going to make an exception. I would like to recognize Mr. Coble.

Mr. COBLE. Thank you, Mr. Chairman. Can you all hear me OK? Am I coming through? Thank you, Mr. Chairman. I owe you one. There is an old—and I, too, will be brief. I want to thank you and the ranking member for having called this meeting. There is an old adage among mariners that a rescue—that a collision at sea just ruins your day. Well, folks, I think to encounter a gang of murderers, thugs, pirates, all titles are appropriate, whatever way of ruining your day. The good news is I am told the climate is better now, and I am sure we will hear more about high-risk waters as the hearing proceeds.

But on April 8, 2009, you remember the Maersk *Alabama* was attacked by Somalian pirates who seized the ship and took members of its crew in hostage. This was the first successful hijacking of an American-flag ship since the 19th century. For 4 days the United States Navy maneuvered three vessels into position: the USS *Bainbridge*, *Halyburton*, and *Boxer*, and, aided by the Navy SEALS, eliminated the pirates, rescuing Captain Richard Phillips and his crew.

Today, Chairman Hunter, I would like to bestow recognition to those brave sailors in the United States Navy and members of other branches that made this rescue possible. I would also like to pay tribute to a proud company, the Maersk Line, with offices in North Carolina, whose crew risks their lives every day to ship millions of tons of cargo across the world.

Since the Maersk *Alabama* rescue, the United States Coast Guard—and thank you for recognizing me as a Coastie, Chairman, I appreciate that—the United States Coast Guard, the United States Navy have diligently worked to prevent further piracy of shipping lanes in the Indian Ocean and the Arabian Sea. Although there are still an unacceptable number of hijackings, the size of these bodies of water will almost guarantee attacks in the foreseeable future. It is incumbent upon this subcommittee, it seems to me, to furnish the help necessary so that Maersk and other cargo shippers will continue to keep the world economy growing well into the future.

And I thank you again, Mr. Chairman.

Mr. HUNTER. Thank you, Mr. Coble. Our witnesses today are Coast Guard Rear Admiral Joseph Servidio, Assistant Commandant for Prevention Policy; Navy Rear Admiral Joseph Kuzmick, Director, Operations and Plans; the Honorable David Matsuda, Administrator of the Maritime Administration; Andrew Shapiro, Assistant Secretary, Bureau of Political-Military Affairs, U.S. Department of State; and Mr. Neil Smith, Head of Underwriting, Lloyd's Market Association.

Welcome to each of you. And with that, Admiral Servidio, you are recognized for your statement.

TESTIMONY OF REAR ADMIRAL JOSEPH A. SERVIDIO, ASSISTANT COMMANDANT FOR PREVENTION POLICY, U.S. COAST GUARD; REAR ADMIRAL JOSEPH W. KUZMICK, DIRECTOR, OPERATIONS AND PLANS, U.S. NAVY; HON. DAVID T. MATSUDA, ADMINISTRATOR, MARITIME ADMINISTRATION; ANDREW SHAPIRO, ASSISTANT SECRETARY, BUREAU OF POLITICAL-MILITARY AFFAIRS, U.S. DEPARTMENT OF STATE; AND NEIL SMITH, HEAD OF UNDERWRITING, LLOYD'S MARKET ASSOCIATION

Admiral SERVIDIO. Good afternoon, Chairman Hunter, Ranking Member Garamendi, and distinguished members of the committee. Thank you for giving me this opportunity to speak with you today on piracy and the actions we have taken to prevent and respond to pirate attacks off the Horn of Africa and elsewhere. Piracy is a universal crime under international law. And despite the recent decline and successful attacks off Somalia, it remains a threat to U.S. vessels and mariners and those of all nations.

The Coast Guard continues to thwart this threat through domestic regulation and policy, international standards and guidelines, and on-water counterpiracy operations. And we do this in close coordination with the U.S. interagency maritime industry and key international organizations and partners.

The Maritime Transportation Security Act of 2002 provides the legal authority for the Coast Guard to regulate U.S. vessel security, requiring vessel owners and operators to develop security plans

that reduce and manage oil security threats, including the threat of piracy. Coast Guard required and approved security plans must include an annex to address countering piracy for vessels operating in high-risk waters.

Maritime Security Directive 104–6 establishes specific requirements for U.S. vessel security measures during high-risk water transits. The Coast Guard, working with the interagency and industry, has revised this directive six times, including revisions regarding areas designated as high-risk waters, and expanded security protocols reflecting lessons learned from attacks.

Working with an interagency team that includes Departments of State, Defense, Homeland Security, Justice, Transportation, and Commerce, and many subordinate agencies and commands, the Coast Guard has published nine piracy-related port security advisors on topics that include self defense and defense of others, international arms regulations, contracted security services, background screening of security personnel, and post-attack coordination.

The Coast Guard also works with industry conducting roundtables and meetings with U.S. vessel owners and operators. Most recently we engaged U.S. company security officers for vessels operating in the Gulf of Guinea, and we will hold a best practices and lessons learned forum with them later this month.

As the head of the U.S. delegation to the International Maritime Organization, the Coast Guard and our interagency partners have worked to pass resolutions to combat piracy, including a framework for international cooperation, counterpiracy guidance, and the promotion of judicial consequences. Just last month I spoke with the IMO Secretary General about piracy and the support IMO is providing for the development and implementation of a new code of conduct for the prevention and repression of piracy, and the listed maritime activity in west and central Africa.

Under U.N. auspices, the contact group on piracy coordinates international counterpiracy efforts, and was pivotal in developing the best management practices for security. In its fourth revision, the BMP provides guidance to international shipping for hardening vessels against attacks, building and using citadels, and training voyage planning and communications with combined maritime forces.

On the water, the Coast Guard leverages our maritime law enforcement core competency, and our 35-plus bilateral agreements, our experience with domestic and international legal frameworks, and our training capacity to facilitate counterpiracy operations. Our boarding teams are conducting anti-piracy operations in support of the U.S. Central Command, and with Combined Task Force 151. Coast Guard international training teams and deployable law enforcement detachments offer tailored maritime law enforcement training integral to regional capacity-building and counterpiracy operations.

Piracy continues to present a threat to the U.S., our mariners, and our maritime industry. Our response requires a broad array of legal authorities, operational capabilities, and partner expertise. The Coast Guard has a unique role to play, and remains committed to working with others to address the safety and security risks of today and the solutions for tomorrow.

Thank you again for the opportunity to be here, and I look forward to your questions.

Mr. HUNTER. Thank you, Admiral.

Admiral Kuzmick.

Admiral KUZMICK. Thank you, Mr. Chairman, Ranking Member Garamendi, distinguished members of the subcommittee. I am Rear Admiral Joe Kuzmick, appearing today on behalf of the Chief of Naval Operations. I am happy to have the opportunity to appear before your committee and discuss the U.S. Navy's ongoing counterpiracy efforts.

In 2007 pirate hijackings and piracy incidents off the Somalia coast escalated dramatically, ultimately peaking in 2009. At this point, pirates could operate for weeks at a time, up to 1,200 nautical miles from the Somali coast. By 2011 the trend had reversed, and by 2012 the number of successful attacks dropped to only seven vessels, the lowest level of pirate activity since 2006. This decrease is directly attributable to industry use of best management practices, a robust multinational naval presence, and the increased use of privately contracted armed security personnel on merchant vessels.

U.S. Navy is currently engaged in a Horn of Africa counterpiracy operations under Commander, Task Force 151. Additionally, NATO Operation Ocean Shield, European Union Operation Atalanta, and other navies operating independently conduct naval patrols off the Horn of Africa. These efforts are coordinated through participation in Shared Awareness and Deconfliction, or SHADE, meetings in Bahrain.

The use of privately contracted armed security personnel, or PCASP, has proven extremely effective. To date no vessel with a PCASP has been successfully hijacked by Somali pirates. Based upon self-reporting from vessels transiting this area, we assess approximately 50 percent or more likely have PCASPs. As a result, there has been no reported pirate activity in the Mozambique Channel since December 2010. There have been no confirmed attacks or hijackings in the Red Sea since September 2011. There has been no hijacking in the Gulf of Aden since October 2011, and there have been no successful hijackings off the entire Horn of Africa this year.

In the Gulf of Guinea, however, maritime criminals have not been as effectively shut down. There are many differences between piracy off the Horn of Africa and maritime crime in the Gulf of Guinea. Attacks conducted by Somali pirates generally take place in international waters, while the Gulf of Guinea attacks generally occur within territorial seas. Somali pirate attacks are generally hijacking for ransom, where the vessel, cargo, and crew are held for ransom. In the Gulf of Guinea, fuel theft, robberies, and kidnapping of crewmembers for ransom are the most common incidents. Hijacking for ransom is virtually absent in the Gulf of Guinea, because the coastal nations there have functional navies or coast guards capable of conducting law enforcement operations within their territorial waters.

Just as the characteristics of piracy and armed robbery at sea differ between Somalia and the Gulf of Guinea, so too do the efforts to combat them. Theater security cooperation exercises and events

aimed at promoting professionalism and sustained capability, effectiveness, and interoperability of coastal states, navies, and coast guards provides a more effective means of countering this threat.

U.S. Naval Forces Africa, or NAVAF, created Africa Partnership Station, or APS, to promote maritime security and maritime domain awareness in Africa. APS is a year-round capacity-building continuum which progresses from basic training to exercises, and finally into combined law enforcement operations.

As part of APS, NAVAF developed regional maritime security exercises around the African continent. Exercise Obangame Express focuses on the Gulf Guinea region. Cutlass Express focuses on the Indian Ocean and the Gulf of Aden. And Saharan Express focuses on west Africa.

African Maritime Law Enforcement Partnership, otherwise known as AMLEP, is the operational arm of APS. It uses U.S. Coast Guard boarding teams and U.S. or international maritime assets, together with host nation boarding teams. While the combined teams conduct boardings at sea, the host nation retains responsibility for any arrests and resulting criminal prosecutions.

Finally, turning to Southeast Asia, the majority of the reported maritime crime events are quickly executed, nonconfrontational, smash-and-grab operations. Most of the incidents occur while vessels are anchored or berthed, and are conducted by robbers seeking to steal the ship's stores or crew's personal belongings. Hijackings and hostage-taking incidents are rare. In this area, too, the U.S. Navy has focused efforts on theater security and cooperation events in an effort to strengthen partner nation maritime security capabilities. The United States Seventh Fleet has led these efforts conducting annual bilateral Cooperation Afloat Readiness and Training, or CARAT exercises, with numerous ASEAN nations and Southeast Asia Cooperation and Training, or SEACAT, which is an annual exercise that highlights maritime interdiction scenarios, including counterpiracy.

The United States Navy remains committed to working with our fellow Government agencies, our international partners, and with industry to forge long-term solutions for regional maritime safety and security. Thank you for the opportunity to testify. I look forward to your questions.

Mr. HUNTER. Thank you, Admiral.

Administrator Matsuda, you are recognized for a statement.

Mr. MATSUDA. Good afternoon. Chairman Hunter, Ranking Member Garamendi, members of the subcommittee, I am pleased to have the opportunity to appear before you today on behalf of the men and women of the U.S. Maritime Administration to provide an update on efforts to counter piracy and other maritime crimes.

While piracy incidents off the Horn of Africa have been decreasing since 2010, as you have heard from my colleagues, it continues to be a significant threat in this area. At the same time, incidents of armed robbery in the Gulf of Guinea off west Africa have increased. And threats to mariners continue in the Straits of Malacca, Indonesia, Malaysia, and the South China Sea.

Clearly, there are economic consequences from piracy for shipping companies which operate in these areas, like increased operations cost, from additional crew wages to employment of armed se-

curity guards and higher fuel costs to speed through high-risk waters. But it also includes capital costs, like vessel modifications to harden potential targets, and higher insurance premiums, as well.

Perhaps the most important cost of piracy is the human one. Crews are robbed and physically abused by pirates or held hostage for long periods of time, frequently experience serious post-traumatic stress disorder. The U.S. Maritime Administration recognizes the serious threat piracy continues to pose to shipping, mariners, and commerce around the world, and I would like to discuss briefly six areas in which our agency has taken an active role in addressing this threat.

First, we immediately went to work collaborating with the international shipping community and foreign governments to support the creation—rapid creation and dissemination of best management practices for maritime operators around the world. This guidance has helped shipping companies and crews to better prepare themselves against pirate attacks. The Maritime Administration even co-chaired, along with our Coast Guard partners, Working Group 3 of the United Nations sponsored Contact Group on Piracy. The U.S. leadership clearly helped the industry get these guidelines developed and distributed. A first version was distributed throughout the world within months.

Second, the Maritime Administration regularly issues advisories to U.S.-flag vessel operators and mariners, providing current information on piracy threats and operational guidance. These advisories are coordinated with Federal agencies and are disseminated widely and timely to U.S. shipping interests, containing the latest intelligence about piracy threats.

Third, our agency has developed training courses for maritime industry security officers based on International Maritime Organization guidance, and is developing training for the use of force against piracy. We expect the recent updates to be completed on schedule, as required by the subcommittee's recent legislation.

Fourth, the Maritime Administration partners with the Naval Criminal Investigative Service to conduct vulnerability assessments for individual vessel operators on a voluntary basis. These Anti-Piracy Assistance Teams, or APATs, have been aboard 60 U.S.-flag vessels and provided extensive recommendations to vessel operators to reduce their vulnerability to pirate attacks.

Fifth, the Maritime Administration has continued to foster collaboration with industry, labor, and Government agencies since the dramatic increase in piracy off the Horn of Africa began in 2008. Each year we have hosted meetings with key civilian and military officials, and at times including international industry representatives and foreign governments. In addition, our agency regularly arranges unclassified briefings for interested U.S.-flag operators.

Lastly, the Maritime Administration is taking the lead on an international anti-piracy training initiative to improve the safety and welfare of seafarers. By building on a successful 2009 DOT initiative with the Government of the Philippines, we are working with an expanded group of nations throughout Southeast Asia, a region which is home to 20 percent of the world's seafarers. This program, called the Expanded Association of Southeast Asian Nations Seafarer Training program, will focus on the often-overlooked

humanitarian side of piracy, like surviving in captivity, for instance.

The Maritime Administration is proud of its many contributions which have helped stem the tide of piracy. However, more work remains to be done. And we will make every possible effort to continue the effective collaboration—collaborative approach with industry and our Federal partners to fight piracy.

Mr. Chairman, I appreciate the opportunity to discuss the U.S. Maritime Administration's role in addressing piracy and the subcommittee's continuing support for maritime programs. I am happy to answer any questions you and the members of the committee might have.

Mr. HUNTER. Thank you, Administrator.

And next I would like to recognize Assistant Secretary Shapiro for his statement.

Mr. SHAPIRO. Mr. Chairman and members of the committee, thank you for inviting me to discuss the national security problems poised by piracy and maritime crime. I have submitted a longer statement for the record and will offer brief opening remarks.

When I first started this job in the summer of 2009, Somali piracy was spiraling out of control. Attacks were escalating, and pirates were expanding operations far into the Indian Ocean. In addition to the threat posed by—to innocent mariners, pirate activity was costing the global economy an estimated $7 billion a year.

Somali piracy represented a perfect storm for the international community: a weak state in a strategically essential location harboring a rapidly growing, transnational criminal enterprise that threatened a vital artery of the global economy. Action had to be taken. This promoted former Secretary Clinton in 2010 to call for a new strategy into tackling pirate networks and to put pirates out of business. This commitment to tackling piracy has also been affirmed by Secretary Kerry.

And now, after years of hard work, successful pirate attacks have plummeted. According to figures from the U.S. Navy, we experienced a 75-percent decline in overall pirate attacks in 2012, compared with 2011. We are seeing fewer attempted attacks in no small measure because pirates are increasingly less successful at hijacking ships. For example, in 2012 pirates captured just 10 vessels, compared to 34 in 2011 and 68 in 2010. Remarkably, the last successful Somali pirate attack on a large commercial vessel was on May 10, 2012, nearly 1 year ago.

The lack of success at sea means that Somali pirates are holding fewer and fewer hostages. In January 2011, pirates held 31 ships and 710 hostages. Today, Somali pirates hold hostage just 2 ships and 60 mariners. That is more than a 90-percent reduction in the hostages held by pirates since January 2011. While having just one hostage is still unacceptable, the downward trend is clear.

Now, let me be clear. Piracy remains a threat. Pirates at sea are still searching for ships to target as we speak. In fact, just last week a merchant ship successfully fended off an attack by pirates off the coast of Somalia. So the threat remains, but the progress that has been made is also real and remarkable.

I would like to briefly outline our approach to tackling piracy off the coast of Somalia.

First, the United States has helped galvanize international action. All countries connected to the global economy have an interest in addressing piracy. We therefore sought to make this a collective effort and build new kinds of partnerships and coalitions. In January 2009 the United States helped establish the Contact Group on Piracy off the Coast of Somalia, which now includes over 80 nations and organizations bound together on a purely voluntary basis. The Contact Group meets frequently to coordinate national and international counterpiracy actions. Through the Contract Group, the international community has been able to coordinate multinational naval patrols, work through the legal difficulties involved in addressing piracy, and cooperate to impede the financial flows of pirate networks.

Second, the United States has sought to empower the private sector to take steps to protect themselves from attack. We have pushed the maritime industry to adopt best management practices which include practical measures such as proceeding at full speed through high-risk areas and erecting physical barriers such as razor wire.

But perhaps the ultimate security measure a commercial ship can adopt is the use of privately contracted armed security teams. And as Admiral Kuzmick mentioned, to date not a single ship with armed security personnel on board has been successfully pirated off the coast of Somalia. And this has been a real game changer in the effort to combat piracy.

For our part, the U.S. Government has led by example. Early on in the crisis we permitted armed personnel aboard U.S.-flag merchant vessels. We also encourage port States to permit the transit of armed security teams, and work to address the varying national legal regimes. American ambassadors, embassy officials, members of our counterpiracy office at the State Department, and I, myself, in meetings with senior officials, have pressed key maritime countries on this issue.

Third, we have sought to apprehend, prosecute, and incarcerate pirates. Today, over 1,000 pirates are in custody in 20 countries around the world. The United States has encouraged countries to prosecute pirates, and we have supported efforts to increase prison capacity in Somalia. But it became increasingly clear that prosecuting low-level pirates at sea was not on its own going to significantly change the dynamic. And so we have targeted pirate kingpins and pirate networks. We are collaborating with law enforcement in the intelligence community as well as our international partners, like Interpol, to detect, track, disrupt, and interdict elicit financial transactions connected to piracy and criminal networks that finance piracy.

Lastly, the long-term solution to piracy is the re-establishment of stability in Somalia. The successful political transition in Somalia is clearly a step in the right direction, but much remains to be done. Once Somalia is capable of policing its own territory and its own waters, piracy will fade away. To that end, the United States continues to support the newly established government in Mogadishu.

Before I would close I would just note that in recent months we have noted a disturbing increase in the incidence of maritime

crime, including piracy and armed robbery at sea off the West Coast of Africa, specifically in the Gulf of Guinea. While in Somalia, we faced an absence of government. In the Gulf of Guinea, the exact opposite holds true. There are many sovereign governments with varying degrees of capability, but all with their own laws and their own interests. The tools and relationships we built to roll back Somali piracy are not easily transferrable to the Gulf of Guinea.

Success in west Africa will depend more on the political will of regional governments to take the steps needed to curtail criminal activity. We could support with capacity-building efforts and have an impressive list of those efforts underway. But ultimately, tackling this challenge will depend on the countries in the region.

With that, thank you for having me today, and I look forward to your questions.

Mr. HUNTER. Thank you.

And lastly, Mr. Smith, who I understand didn't come from New York or San Francisco or L.A., you actually came from London. So thank you. You are recognized for your statement.

Mr. SMITH. Good afternoon, Chairman Hunter, Ranking Member Garamendi, and members of the subcommittee. I am pleased to be here today to discuss the role of the insurance sector in the ongoing efforts to combat piracy, and I appreciate the opportunity to do so.

While there are a number of maritime hubs, I am speaking here on behalf of the Lloyd's insurance market, based in London. I should also make it clear that Lloyd's is not an insurance company, but is an international insurance market, where syndicates of underwriters transact business on behalf of managing agents for their own account and risk. Individual insurance policies are arranged by firms of insurance brokers authorized to transact business in the Lloyd's market with syndicates. Apart from the market itself, the Lloyd's Market Association is an independent organization providing services to and representing the interests of all Lloyd's managing agents.

It would probably be helpful if I provide to you a simple outline of how the hull insurance is placed in the Lloyd's market. A shipowner will have a number of insurance policies covering their activities. But the two I focus on are the hull and machinery policy and the separate hull all-risks policy. Both are usually negotiated on an annual basis.

The hull and machinery policy covers what we would regard as perils of the sea, those risks of a maritime nature which a vessel will face during its daily trading activities. Over many years, piracy, which has been an insured peril within the marine market for as long as the market has existed, was written into the hull and machinery policy as standard cover. The trading limitations on a hull and machinery policy are generally very broad, with little opportunity for hull insurers to monitor their exposures. The hull and machinery policy has an associated deductible, and the general model of piracy attacks in the late 20th and early 21st century, because of their nature, would generally fall below that deductible.

The war policy is slightly different. Alongside the annual premium covering the majority of locations, a separate list identifies areas where the war risk is regarded as being enhanced. If the

owner wishes to send a vessel to one of these areas, they must notify the underwriters to negotiate the terms of the voyage.

In recent years piracy coverage has moved from the hull and machinery policy onto the war policy. There are some technical reasons for this movement unrelated to piracy, but in this context it gives the insurer the opportunity to monitor the movement of vessels into high-risk areas, including areas impacted by piracy, and assess the steps being taken by the shipowner to mitigate the risk.

During the initial placement process, and then subsequently, if a vessel is being sent into the high-risk area, an underwriter will pay close attention to what the shipowner is doing to protect the vessel. Lloyd's insurers have supported the development of the industry-led best management practices. Insurers will look closely at how the shipowner is using BMP, whether it is ingrained into the culture of their operations, and would make an assessment and price dependent on these issues.

Reference is made to the use of armed guards within BMP. But certainly in the early days, insurers had some reservations about their use without proper standards. Use of poorly trained or undisciplined guards operating without proper legal authority or rules of engagement could enhance the risk to the crew they are meant to protect, along with enhanced risk of loss or damage to the vessel and the cargo. The development of ISO standards in this regard is a great step forward.

Why has Somalia been such a challenge for the shipping and insurance community, bearing in mind the market's long history of piracy coverage? My view is that Somalian pirates introduce a different method of operation. The traditional model took the vessel and the cargo. But the Somali game changer has been the recognition that the crew is a valuable asset for ransom. This is a marine version of kidnap and ransom activity, rather than what we would traditionally regard as piracy activity. This leaves us with a number of long-term questions about how the maritime community should approach some of these traditional areas of cover.

I should make it clear here that property insurers are not directly involved in the negotiation or payment of ransom monies. These negotiations take place between shipowner representatives and pirate groups. Proper insurers will be involved through the ancient marine concept of general average. This ensures that costs incurred for the safe completion of a maritime adventure are shared across all parties involved. Once an owner has declared general average, the various parties will contribute according to a complex charging structure, based upon the values of the ship and cargo, and the hull and cargo insurers will therefore be major contributors.

Insurers have been engaged with the ongoing role of regulators in looking at the money trail which arises following the payment of ransoms. From a Lloyd's perspective, this is a particularly important aspect of our work. Lloyd's has a valuable brand and reputation to protect in the U.S. And so our involvement in discussions with OFAC in the practical issues arising from payment of ransoms has been particularly helpful.

Bearing in mind the position of the crew in relation to the current problems, I should note that crew liability is not covered by

hull and cargo underwriters, but rather by the Protection and Indemnity Clubs, mutual groups funded by the shipowners. Traditionally, P&I Clubs are not involved in funding GA payments, but property insurers feel that this is an issue that we should look to address on the longer term.

Setting Somalia aside, there has been a recent trend of attacks on vessels moving oil offshore in the Gulf of Guinea. These incidents look at this stage to be returned to the more traditional model of piracy with organized theft of portable goods from the ships and transshipment theft of the oil cargoes. The insurance sector is monitoring developments closely, and it is a further example of why, even though the situation in Somalia looks to be improving, the international maritime community cannot afford to relax its efforts to reduce the threat of piracy.

I will be happy to respond to any questions you may have, or to expand on any of my comments further, if it would be helpful. Thank you.

Mr. HUNTER. I would like to thank everybody for their testimony. I told my kids that I was having a hearing today on piracy this morning, and they laughed. Unfortunately, Jack Sparrow and Disney took a lot of the reality off of piracy for that generation of kids. So we will scare them back into shape.

I am going to recognize myself really quick for just a quick question. And it goes back to the statement that I think a few of you made—said if there is armed guards or contractors on these ships, you have zero hijackings. So my question is all encompassing, going from the Department of State to the Navy, Coast Guard. When do we make the transition from us using you and using the Coast Guard resources, Naval resources, Department of State resources, and shift that to the merchant and say, "If you want to be safe, we recommend you have armed guards, because you have a zero-percent chance of being hijacked if you have armed guards, based on past statistics"?

And then, a question to go with that is, how do we make sure that the guys that are on these ships that are the armed guards can have weapons with them? What ports can they go into? Do you have to have floating arsenals—of which there are some out there, some are good and some are bad, from what I understand, where guys can actually gear up on the water once the ship leaves the port that does not allow Americans to have weapons. And when it comes to the Department of State, there have been some cases where even countries that allow that have detained American personnel, ship operators, and—until we pay them off, basically.

So, that is my question. When do we shift the burden from the U.S. Government and the American taxpayer to the ship driver or the owner-operator? When does that happen and how does it happen? And what are we doing to make it happen? And what is standing in the way of it happening?

And I guess, Admiral, maybe we will start with you. Admiral Kuzmick. I am sorry.

Admiral KUZMICK. Yes, thank you, Mr. Chairman.

Our feeling in the Navy is that it has been a combination of those efforts that has virtually eliminated Somali piracy. While it

is true that no one has been successfully hijacked when they have been able to shoot back, it is important.

It has also been important that we have some Naval presence there that can interdict the pirates, and I think that there is room there for this to be reversible and that we would have to come back.

It is important for us because we can do the Horn of Africa Piracy without much additional resources. We have most of the resources there assigned to contest Iran's hegemony in the area, and they are there anyway. So we can often split them off to do some of that kind of work, and all the help we get from the other nations is very helpful.

Over toward Gulf of Guinea, a little bit of a different story. I think some of the other witnesses may know more details about this than I do, but my understanding is that there are a number of different intricacies over there of convincing sometimes smaller vessels to hire personal armed security guards.

And also the legalities, a lot of the stuff happens in shore waters. Those kinds of armed security teams, as you mentioned, are not capable or they are not allowed to work in there. So that is an extra difficulty.

Mr. HUNTER. Admiral Servidio.

Admiral SERVIDIO. Mr. Chairman, what the U.S. Coast Guard requires is the vessel has to do their own assessment, and based upon their assessment, they could determine whether they need to have armed security guards or additional security, but it does not necessarily have to be armed.

On some vessels, due to the risk of what they are carrying, be it a gas, cargo or other types of things, they feel that that assessment might be that they need additional security on board, but they might not necessarily want them armed.

As Admiral Kuzmick brought up, there are some challenges especially in the West Coast of Africa. Nigeria does not allow privately armed security to go in there. So they offer their personnel to provide some security. I know there has been some questions with some of that, and we have had offshore supply vessels that have been operating in that area for decades dealing with a security situation, and they have been able to manage that through their assessment of risks and their own practices that they put in place, and those have been codified now under the MTSA requirements for vessel security plans.

Mr. HUNTER. Anybody else who would like to take a shot at that? Mr. Secretary?

Mr. SHAPIRO. Well, I would make two points. First, for the most part, unless it is a U.S. Government cargo, it is the shipowners who are paying the costs of the private armed security teams. So in terms of burden sharing, it is mostly be borne by the maritime industry.

In terms of the problems in various ports, the State Department has demarched port States to let them know that U.S.-flag vessels which have armed security teams will be coming through and has also worked through the contact group to encourage States to develop appropriate regulatory framework to allow the use of armed security teams.

That being said, occasionally there is a bump in the road. We are usually able to work it out through our embassy when there are those bumps and reach a satisfactory conclusion.

Mr. HUNTER. Where is the usual dropoff/pickup point so that if you do not want to carry security where you do not need it and have to pay for it? Where would you usually pick up security? Where would your private contractors meet you to get on the ship? And then where would they transit with you to?

Admiral SERVIDIO. Mr. Chairman, for the U.S. vessels, in our maritime security directive we identify where those high-risk waters are, and if a U.S. vessel transits, that is where they have to put in place their piracy annex and those additional security measures to address that risk.

Again, they have done their assessment, and they make a proposal as to what it will be. But we have identified those waters, and they include waters in the Middle East, in Asia, in South America, and other areas. And, again, we have identified where those waters——

Mr. HUNTER. Are there not some actual ports though that are the main ports where they have to kind of jump off when they enter the high-risk waters?

Admiral SERVIDIO. If you have privately armed security, there are some countries and there are some locations that it is logistically much easier to end up doing that.

Mr. HUNTER. What countries are those? If you do not know, then just for the record.

Admiral SERVIDIO. I do not know. I can get it for the record, Mr. Chairman.

[The information follows:]

> The information requested is Sensitive Security Information (SSI) and cannot be provided for the record. However, a copy of this material has been provided to Chairman Hunter.

Mr. HUNTER. OK. All right. Thank you all.

With that, I would like to yield to Mr. Garamendi.

Mr. GARAMENDI. Thank you, Mr. Chairman.

Many questions come up here. I do thank all of you for your testimony and particularly for the success that you have had in dampening down the piracy, particularly in Somalia, and I suspect you will soon find similar success in the Gulf of Guinea.

But, Admiral Servidio, you mentioned that the U.S. proposed an amendment to the IMO to require IMO nations to mandate adherence to the security guidance that the U.S.-flag vessels have to obtain. Apparently that was not accepted. Why?

Admiral SERVIDIO. I really do not know the answer of what all of the other countries on the U.N. felt. Not all of them feel that this should be required. Not all of them feel the risk is as great as what the U.S. feels. So I really cannot speak on behalf of them, Ranking Member, but our desire would have been that everybody puts in place what we have required on U.S.-flag vessels.

Mr. GARAMENDI. Mr. Smith, is this an insurance issue that could be helpful in setting a higher standard for all ships? That is, if you want to get insurance, then you had better abide by the standards?

Has Lloyd's considered that?

Mr. SMITH. I mean, this comes back to the way in which the BMP really are used within the London market. It is not possible for the market to mandate the use of BMP because BMP itself is not really in a format that that would work, and for as well, without the EU, we are not in a position where from an insurance angle we can mandate particular standards or levels. That goes for piracy and just general shipping safety as well. There are issues where we cannot mandate.

However, it is an issue from a market perspective, where insurers, as I said earlier, will look very closely at what the shipowner is doing, how they are operating, when they are assessing the insurance risk.

So if from the negotiations it can be seen that the shipowner is taking all reasonable steps to protect and mitigate against the threat of piracy, then that will be taken into account by the insurer during the negotiation process.

Mr. GARAMENDI. I thought that might be the case. As a former insurance commissioner, I learned that the availability or the unavailability of insurance is a high motivator, and it would seem to me that while you may not be successful on the regulatory side, you could be successful on the insurance side. Simply do it or else I am not going to ensure you, pretty simple. So they start to do it because they need the insurance.

I would like to follow along on that process with you, Mr. Smith, and the others if you could keep track of the success of the insurance market in promoting best practices.

I understand the litigation issues of mandating.

Mr. SMITH. Sure.

Mr. GARAMENDI. But then you do not have to provide the insurance, do you, if you do not like what they are doing?

There are numerous questions here that I really would like to get to, and let me see if I can move through some of those. There are some detailed insurance issues that I will take up with you, Mr. Smith, separately, but they are going to get into esoteric stuff.

The question, Mr. Matsuda, you are appropriately looking out for the mariners and their well-being, which is first to avoid a piracy action. But when there is a piracy action, what steps can be taken to assist the mariners in dealing with everything from loss of health and life to other let's call it post-traumatic stress issues?

Mr. MATSUDA. Well, thank you, sir.

We certainly prioritize the safety and well-being of our mariners. The best thing they can do is have an employer, a ship operator who is fully complying with Coast Guard rules and standards, best management practices, and is staying up on all of the types of things that need to be done to run an operation efficiently and safely for their crews. That is our priority.

We are certainly trying to chase down any additional things we can learn about being held captive, what we can learn from our foreign counterparts who have mariners who have been in that situation. Our successful interaction with the Government of the Philippines led to a former hostage coming to the U.S. and speaking with the maritime community. They went to the many maritime educational facilities, U.S. Merchant Marine Academy and others.

So we will continue to explore those avenues to learn everything we can.

Mr. GARAMENDI. Again, best practices, I notice that we have a vote coming up, and so I am going to cut my questions short here. I may ask you separately, all of you, for some specific questions and answers.

Mr. Chairman, I yield back.

Mr. HUNTER. I thank the gentleman.

We have about 5 or 10 minutes before we have to go. If you do not mind, we would like to continue this. We just have two votes, two 5-minute votes, a motion to recommit and then another one, and we will come right back here.

So with that I think we have time. Do we have time to recognize Mr. Coble?

I recognize Mr. Coble for 5 minutes.

Mr. COBLE. Thank you, Mr. Chairman.

Gentlemen, thank you all for your testimony today.

Admiral Servidio, I have a two-part question to you. What is the Coast Guard doing to combat piracy off of Africa's West Coast—(a)?

And (b)—I had a second question here—explain to me if you would, Admiral, the Coast Guard standard for use of force for self-defense of a vessel.

Admiral SERVIDIO. Sir, the Coast Guard is doing a number of things for piracy. We just had a law enforcement detachment that was deployed on a British ship that was off the West Coast of Africa doing boardings and doing training for local as part of our capacity building. So we are involved in the capacity building side of it.

Additionally, for U.S.-flag vessels that are operating there, we review their security plans. We approve their security plans, and we have had a number of different meetings with those company security officers to ensure we are taking care of our merchant mariners and our vessels.

Internationally, we are working with the IMO who are supporting a code of conduct that will be established on the West Coast of Africa that is similar to the East Coast of Africa's code of conduct so that they can use their inherent capabilities to address the piracy scourge much more effectively.

As far as the use of force, sir, the U.S. has reserved sort of position when it comes to convoy or private escort vessels with regards to that use of force because it is a legal issue as to when you can use force and when you cannot use force. For self-defense you can, but I know some nations are looking at having private security vessels that are pretty much taking the place of military vessels, and there are some legal issues with that.

Mr. COBLE. Thank you, Admiral.

Admiral Kuzmick, the number of vessels attacked last year by Somalia pirates off the horn of Africa fell to the lowest level, I am told, since 2009. Of all the mitigating actions, which do you believe has had the most influence on the decreased number of attacks off the coast of Somalia?

Admiral KUZMICK. Congressman, did you say the least number of attacks?

Mr. COBLE. Pardon?

Admiral KUZMICK. The influence on the? The last part of your question.

Mr. COBLE. I just said of all the mitigating actions, which do you believe had the most influence on the decreased number of attacks.

Admiral KUZMICK. Yes, sir. Well, I would say certainly the armed security teams has reduced that a great deal. We have made it very uncomfortable for pirates to approach many of the vessels that transit the area because they are going to get shot at, and they decide, you know—that is very difficult for a military unit to do, much less a rag-tag group of pirates—to try and take a vessel that is shooting back.

So that is certainly the biggest thing. That is not something that we are doing directly, but certainly something that we are trying to influence people to do.

And then I think it is important, as well, still at the moment that we have the task forces that we have down there, CTF–151 primarily with a dozen or more ships from various nations.

There is the NATO group of, at the moment, a couple or three ships and another EU group of a couple or three ships. All participate and cover a huge area, but what it allows us to do is, when there is an act of piracy or an attack of some kind, it allows us to try and intervene in that skiff after they are away and they have decided not to attack a vessel maybe that has an armed security team, and we can try and interdict the pirates in that way.

Mr. COBLE. I thank you, sir.

One more question, if I may, Mr. Chairman.

Mr. Matsuda, how many U.S.-flag vessels transit pirate infested, high-risk waters on a daily basis?

And why must U.S.-flag vessels transit these waters? What cargo are they carrying, for example?

Mr. MATSUDA. According to our information on any given day there are about a dozen U.S.-flag vessels in the area near the Gulf of Aden high-risk waters. They are carrying all kinds of goods, whether it is federally financed cargoes, food aid, humanitarian supplies, cargo for the military to support their efforts, or just commercial cargoes to and from the United States or between foreign countries.

Mr. COBLE. I see.

Thank you, gentlemen.

I will yield back, Mr. Chairman.

Mr. HUNTER. I thank the gentleman from North Carolina.

We are going to go ahead and go vote, and if you would not mind, we will stand in recess. It will probably be 20 or 25 minutes.

So the hearing will stand in recess, subject to the call of the Chair. Thank you.

[Recess.]

Mr. HUNTER. The subcommittee will come to order.

Thank you, everybody, for waiting. We apologize. As you know, that is just kind of how it is.

So at this time I would like to recognize the absence of Ms. Hahn. Mr. Southerland from Florida.

We will not start the time yet. You can take your time. Sorry.

Mr. SOUTHERLAND. Thank you. I have got too many papers here.

Thank you, Mr. Chairman. I would like to thank you for this. To me, new to the committee, it is an interesting subject, and I enjoyed reading and learning more about this.

I am glad to see the recent reports show that there is a dramatic reduction in pirate attacks off the Horn of Africa, and I commend Coast Guard and Navy, the State Department for working together to develop effective strategies for dealing with this important issue.

Additionally, we know that several high-profile raids by American and European forces have acted as a further deterrent, and I think the American people appreciate that.

While I understand that a permanent solution will not be reached until Somalia has an effective and capable government, the trend of decreased incidences of piracy off the Horn of Africa is encouraging. Unfortunately, we have seen, as we have talked about in other questions increasing attacks off of Guinea.

I wanted to ask a question. How exactly should both the U.S. and the international partners' response differ from our response to piracy off the eastern coast?

Because you have got an increase there. Just kind of in a general way, and I would kind of like to ask the three of you on this end that question as it pertains to your operations. Because you have got two different, obviously, regions and two different challenges. One we seem to be doing very well, and so if we could just start.

Admiral SERVIDIO. Thank you very, much, sir for the question.

What we see is that it is not only the nature of the governance on the East Coast that is different from the West Coast. There was a lack of governance on the East Coast of Africa, and in Nigeria and the Gulf of Guinea, you have a number of different nation states that have capabilities, but it is also the type of vessel. It is the type of operations.

On the West Coast of Africa, there are a lot of offshore supply vessels and lift boats, vessels involved in petroleum. Their operations are very different than in transit or food deliveries from deep draft vessels on the East Coast of Africa.

The tools that we can engage from PCAS to others, privately contracted armed security, are different. I think overall the solution sets, which is international cooperation with industry and working with the regional nations on building that capacity are going to be the same in general, but the specifics are going to be a little bit different on how we implement that on the West Coast as opposed to the East Coast.

Mr. SOUTHERLAND. OK.

Admiral KUZMICK. Well, Congressman, from the Navy's point of view, I think in the Gulf of Guinea it is radically different from our perspective. As I said, we can sort of mooch off of the assets that are in the central command area already, in the Horn of Africa. In the Gulf of Guinea for us to provide any sort of gray hulled Navy ship asset to help a whole lot would be a tremendous expense, especially as compared to the eastern side, a tremendous incremental additional expense.

And the other thing is that we would not be all that terribly effective. As Admiral Servidio said, you have got nation states over there that are functional. They may not be as functional as we are, but they are functional.

Mr. SOUTHERLAND. Sure.

Admiral KUZMICK. And our best bang for the buck is to provide for the occasional Navy vessel as Africa Partnership Station does to provide the training to improve the economic viability of those nations and the law abiding infrastructure to help them deal with their own problems. In my testimony I mention a lot of the activity over there is less on the high seas and more in the territorial waters that those folks patrol.

Mr. SOUTHERLAND. Very good. Thank you.

Mr. Matsuda.

Mr. MATSUDA. Sir, I think to best replicate the success that we have had in addressing the situation in the Horn of Africa region, we have got to take what works and continue to do that. And that is taking a whole of government approach, work with the industries and the affected countries to bring about the appropriate solution.

As my colleagues mentioned, the nature of the threat is just different. It is a different type of operation in different territory. These are territorial seas of nations. So we have got to be mindful of that, but I think that you have got the right agencies engaged, and that we should be able to tackle this effectively.

Mr. SOUTHERLAND. Let me ask. For Americans who are watching this, I think sometimes, and again, being new to the subcommittee, I kind of struggle with this as well, to try to explain to—and I would ask the Navy to explain—I think Americans struggle in trying to figure out how a small boat with a band of people on it can overtake. Can you just briefly, and I know I have run out of time here, just briefly just describe for the American people how that happens?

I mean, I think we struggle understanding the problem when a small boat with a band of thugs can come up and overtake a large tanker, and it is as much for my benefit as it is for those who may be watching this.

Admiral KUZMICK. Well, Congressman, my understanding is, you know, you have got a large vessel at sea. You have spent a lot of monotonous time out there. You have got very, very minimally manned vessels. They are keeping the costs down. They are keeping the cost of people down, a very expensive part of that. Keeping the vigilance can be difficult when approached by folks that are armed.

You know, if you are using these best practices that have been developed over the years, you are probably not going to get attacked. If you are lackadaisical about it or you take risks and you ignore these best practices, then it is not that difficult for somebody to come up to a low freeboard ship that is not moving very fast in decent weather and get folks with rifles on board, and once this happens, it is a hostage situation.

Mr. SOUTHERLAND. Thank you.

I know my time has expired. I yield back.

Mr. HUNTER. I thank the gentleman.

If he has any further questions, I would grant him unanimous consent to continue.

Mr. SOUTHERLAND. Thank you.

I wanted to—hold on. Let me turn through, and I apologize. I have got so many questions here. I know that the Coast Guard issues, you know, the maritime security directives requiring vessels and owners to update their VSP plans to respond to the latest security threats.

To what extent are U.S.-flag vessels complying with these directives? I mean, is this a large percentage?

If we could, maybe, Mr. Shapiro, is that something that you could address?

Mr. SHAPIRO. The percentage of ships that are being attacked?

Mr. SOUTHERLAND. Yes.

Mr. SHAPIRO. Well, I think that what we have seen is the percentage has dropped precipitously off the coast of Somalia. As we discussed earlier, the number of successful attacks has dropped to zero since last May. We are still seeing some attacks continuing, but the number of attacks that are actually taking place is much, much lower. We are seeing actually pirates holding press conferences announcing that they are getting out of the business because it is just not as lucrative as it once was.

So, again, this is an example of, you know, the policy has been working. What I would say, just to echo what my colleagues said, is that the ships that do not have best management practices are by far the majority of those that are pirated. So at one point we look a look at this, and it was about 20 percent of the ships were not using best management practices, but if you looked at the ships that were successfully pirated, those were the vast majority.

And so the importance of these best management practices in deterring and preventing successful pirate attacks has been important and something that we continue to urge.

Mr. SOUTHERLAND. Is it fair? I know that oftentimes we have I am think of factories that we have here where if those transporting raw materials into a factory are not allowed to offload their goods, those factories are not accepting of these trucks and any of these deliveries by rail unless there has been proven a necessary level of insurance.

I know, Mr. Smith, you talked about the insurance, how you insure these vessels regarding piracy. Is there a requirement that a port would not receive these vessels if they did not have the necessary insurance?

And I am assuming what you are doing by requiring; if I have got to buy insurance, and I have taken necessary steps to mitigate these risks; in other words, I am a believer of the best practices as you all on this end of the table have outlined, and it is out there. If I am mandated to have this insurance, I want to have obviously the most reasonable premiums, and if the ports are requiring this, then it seems to me to be kind of a global effort to make sure these vessels are mandated to have the measure to prevent these acts.

So is that something that is done in the industry? Does that make sense? Because I know this. That practice is required in American industry for our plants. So is that something that is done or is it looked into?

Mr. SMITH. Sir, I can respond to that really. I mean, even in a broader context than piracy. Vessels have to have proper certification and insurance to be able to trade full stop.

Mr. SOUTHERLAND. I mean, in your comments you were talking about you had a hauling machine to really protect you in your daily use of the vessel. I am referring to whole risk regarding piracy.

So are you mandated by the industry to have whole risk regarding piracy?

Mr. SMITH. What, from the port perspective, sir?

Mr. SOUTHERLAND. Yes.

Mr. SMITH. Not to my knowledge.

Mr. SOUTHERLAND. OK.

Mr. SMITH. That is not a requirement, but from our perspective as the insurance as a support service to the shipping industry, as I said during my testimony, piracy is an insured peril under our contract and has been for centuries, and as far as we are concerned, it is a coverage that we would intend to continue to provide.

The interesting aspect here with Somalia has been, of course, it is a different form of piracy that we are dealing with, and that is the challenge that we have been facing as an industry, both as an insurance industry and across the maritime sector as a whole.

Mr. SOUTHERLAND. I would suggest that, and I am referring to the whole risk due to piracy. It just makes sense. It certainly works to create safer rails, safer highways.

I know in America because we require those who transport in America to have necessary insurance limits or they cannot have their raw goods off-loaded at our factories. So it seems to be something that works.

I will say this. I could not help, Mr. Chairman. You know, our country right now is going through a heated debate on guns and gun safety. I could not help but draw a parallel with what you have. I mean, I heard things today such as, you know, those ships who have the ability, no one has been successfully hijacked when they can shoot back. What a novel idea.

I mean, I am hearing things today that if we would adopt into this debate that we are having in America right now, that just seems to be on the TV every time I turn on the TV. You have taken the first law of nature or self-preservation, and you are using it, as I think God intended us to, to protect our persons, our crew, and our cargo.

And I want to say I applaud you all for your effort. It is working. You are talking about it today. You started the testimony today about how the numbers are decreasing. Why? Because we are using the common sense that God gave us, and I will tell you it is rare that I hear acknowledgment of that at the committee level. I just wish that we would practice the same common sense and embrace those God-given abilities that He expects from us to practice in other areas, and especially in the current environment today to rid ourselves of armed robbery. That was a term used today. Smash and grab, you know, collaboration between Government and industry, I think, working together and the American citizens to make sure we use the same tactics that you are.

It is effective. It is work, and I applaud you.

With that I yield back.

Mr. HUNTER. I thank the gentleman, and Ms. Hahn did have a question. I am going to go ahead and we will submit her questions for the record later, whatever she would like to ask.

I would like to finish by just asking this. I am on the Armed Services Committee, too, and we get briefed on Africa all the time, and so the question is we know what is going on there. We are tracking it in a big way. So is there ever a parallel to what is happening on the ground there with the counterterrorist fight that transfer to the piracy fight?

And if there is, how does DOD get the message out? Is it through MarAd? Is it through the Coast Guard? We say, "Hey, there are some bad guys operating in this area. They are a little bit more sophisticated," or we do not think that they are the run-of-the-mill pirates. They could have Al Qaeda be financing or be trying to finance Al Qaeda from what they are doing.

How do we let guys know that they are going to be in a place where there is going to be bad people?

Mr. MATSUDA. Sorry. I can start. I think this is really more of a question for my colleagues at the State Department and other places. But I can tell you that as recently as several weeks ago, Secretary LaHood met with the Prime Minister of Cape Verde, which is in a neighboring country, and the Prime Minister expressed his concern about the potential spread of piracy, smuggling and other criminal activities to the neighboring countries in the Gulf of Guinea.

And so there is definitely some concern. These are countries that have established governments, unlike what is happening on the high seas and on the Horn of Africa, but there is definitely concern. We committed to work with governments that are interested in building those capacities as they have in other areas.

Mr. HUNTER. Let me interrupt just really quick in the interest of time. What I am asking explicitly is how do you get the message from whoever finds out that there is bad people in a certain area to those ships that are traveling in that certain area?

Who is in charge of that? Who puts the message out and how is it done?

Mr. MATSUDA. I think that it is fair to say we work with all of our agencies here to disseminate advisories to the maritime community to make sure they are aware of the latest threats wherever they might be and however they might be evolving.

Mr. HUNTER. How does that work? Like their radio beeps and it is you guys, an all-con message out?

Mr. MATSUDA. We do direct messaging to the maritime operators that have U.S.-flag vessels. We also work with the National Geospatial Agency to broadcast messages, and I know that Coast Guard and the Navy also take separate communication means.

Mr. HUNTER. Has that happen?

Admiral SERVIDIO. Mr. Chairman, most vessels that at transiting the area check in with the Maritime Security Center, Horn of Africa, and they are the ones that are tracking it.

There is also——

Mr. HUNTER. Wait. Whose department is that in?

Admiral SERVIDIO. It is not U.S., sir. It is interagency. It is international is really who is running that. I believe the U.K. is the ones that originally stood that up.

Additionally, the Coast Guard is in contact with each of the company security officers for U.S.-flag vessels, and we are part of the intelligence community. I cannot really get into details in this forum, but we can talk about what we do as far as tracking vessels, U.S.-flag, and we have the capability to ensure people are aware that is a threat out there.

Likewise, the combined maritime forces provide that similar service in the Horn of Africa region.

Mr. HUNTER. So let me ask this then. Have we noticed any sophistication of the "bad guys," the pirates? Are they getting more sophisticated, number one?

And, number two, do you ever see them doing anything besides just trying to hijack and sell the goods? I mean, do you see them just acting with malicious intent to sink a ship or scuttle it, whatever, kill the crew, but something beyond selling the goods that are on it, trying to make money or trying to get a ransom?

Mr. SHAPIRO. Well, I will say that we did see over the past few years the greater use of mother ships by the pirates which enabled them to move further and further from the coast of Somalia, getting close to the coast of India where they engaged with Indian naval forces. So that was a development which made the threat much broader than just off the coast of Somalia.

However, as we have talked about, as industry has adopted these best management security practices, as navies have, you know, put assets in the region, we are seeing less of these mother ships out on the water trying to attack vessels.

And so, you know, from that perspective we did see that innovation, but the international community responded to that innovation in a way that now we are seeing a reduction.

Mr. HUNTER. Yes, go ahead, sir.

Mr. SMITH. Chairman Hunter, could I just comment here because I think from our perspective it is one of those refreshing things that we have seen with regard to the situation in Somalia. It has been the degree of cooperation between the various government agencies, both U.S. and internationally, and the military forces and the commercial sector as well.

I think from our perspective, that is one of the really refreshing things here, where there have been developments, trends that we have seen. They have been shared with us where appropriate by the military and the Government forces so that the industry is aware of them and we can act as well. And I think that has been the thing that has really helped in this instance with Somalia, is that sort of "joined up" thinking between both the private and the public sector, which has really helped here.

And for me, the bit lesson to be learned here is that when there are developments in other areas we need to act in the same way.

Thank you.

Mr. HUNTER. Last question here. So let us go forward a little bit. When I went to Iraq in 2003, we had soft-skin Humvees, did not have any up-armored vehicles at all, and the IED was kind of in-

vented and used a lot. So what happens when they start simply wanting to sink ships?

So let us say it less of a law enforcement thing where we do not care about the ransom. They just want to take a ship down, or 20 or 30, or hit as many as they can just to cause a little havoc. What happens then? And is anybody thinking about that? I would hope.

Mr. SHAPIRO. I will say that when we originally made the decision to allow the use of armed security teams, there was concern that this would lead to an arm's race at sea; that the pirates would see, you know, the weapons and try and one up with heavy weapons and that it could lead to these types of attacks.

And what we have found is it has not happened, and the reason is that most of these pirates skiffs are relatively small and do not have the ability to carry heavy weapons. So they can attack an unarmed ship with rifles and small arms and take it over, but when it comes to doing the type of damage that you are talking about, the level of, you know, weaponry necessary for that has not really been taken on these smaller skiffs.

Now, is there risk that they might, you know, try and use larger ships? Yes, and it is something that we have thought about, but we have not seen it yet, and thus far we see that when there is a ship that has an armed security team, rather than confront it they tend to look for a softer target.

Mr. HUNTER. Did anybody understand the other part? I mean, the question was: is that on anybody's lane at all? Do we not think that will ever happen where the "bad guys" try to IED our ships and just kind of ram them with a few hundred pounds of explosives just to sink them?

We do not care about them being shot at. They do not have a 50-caliber on their little RIB or a fast boat, but they just have a few hundred pounds of explosives and they pop a hole in a ship.

Admiral SERVIDIO. The Maritime Transportation Security Act under which we have the authority for U.S. vessels requires a security plan, a vessel security plan, and that was designed to address terrorism types of things, which are things like the fast RIB or other types of things coming alongside.

Internationally, the International Port and Vessel Ship Security Code also addresses that. So there are some things in place.

What we do annually is we look at our maritime security directives, and our maritime security directives, unlike the best management practices which are recommendations, are mandated for U.S.-flag vessels that go through the high-risk areas, and we analyze them each year to see whether they are effective for what we are seeing, and we make modifications as necessary.

We are on the sixth version of the MARSEC Directive that sort of deals with piracy. So if we did see trends, we would be able to adapt to those. Likewise, industry is the ones that have adopted these best management practices. This is the large intergovernmental organizations for tankers, for cargo vessels, bulkers and others, and they are the ones that put these recommendations in place.

They have recently put an amendment to best management practice or best management Plan IV to address some of the issues on the West Coast of Africa because it is different, and I would like-

wise see them adopting some of those best management practices as the threat changes.

It is an intelligent adversary, and they do make modifications, and we have to recognize that we cannot just say that this is going to take care of itself and that we have succeeded, but we have to continually look at where we stand and what we need to be next, Mr. Chairman.

Mr. HUNTER. Let me thank the panel, and I have one last question for Mr. Smith because I just read "The Wave." I do not know if you have read "The Wave." It is a good book. I recommend reading it, but here is the question if you have the answer.

How many ships are lost at sea, big ships, cargo ships that you insure for no known reason? I am just curious. You are here from London. I figured I would just ask you.

Mr. SMITH. Well, in fact, I mean, it is a phenomenon that we see occasionally. I do not have the exact figures about when the last time we had one, but this is one of the refreshing statistics for us, is that the number of large merchant vessels that just disappear are very few and far between.

If you want me to find the exact figures for you, I can do so.

Mr. HUNTER. Well, not if they are not an impressively high number. Then it is not a big deal, but OK.

Well, with that, let me thank the panel. Thank you, Admirals. Thank you all for your service and your time.

The hearing is adjourned.

[Whereupon, at 4:14 p.m., the subcommittee was adjourned.]

Howard Coble (NC6)

Statement by Rep. Howard Coble, Coast Guard Subcommittee Hearing, April 10, 2013.

Mr. Chairman –

On April 8, 2009, the Maersk Alabama was attacked by Somali pirates, who seized the ship and took members of its crew hostage. This was the first successful hijacking of an American-flagged ship since the 19th century. For four days, the United States Navy maneuvered three vessels into position, the USS Bainbridge, USS Halyburton and USS Boxer, and aided by the Navy Seals, eliminated the pirates rescuing Captain Richard Phillips and his crew.

Today Chairman Hunter, I would like to bestow recognition to those brave sailors in the United States Navy and members of other branches that made this rescue possible. I would also like to pay tribute to the Maersk Line, a proud company with offices in North Carolina, whose crews risk their lives every day to ship millions of tons of cargo across the world.

Since the Maersk Alabama rescue, the United States Coast Guard and United States Navy have diligently worked to prevent further piracy of shipping lanes in the

Indian Ocean and Arabian Sea. Although there are still an unacceptable number of hijackings, the size of these bodies of water will almost guarantee attacks in the foreseeable future. It is incumbent upon this subcommittee to furnish the help necessary so that Maersk and other cargo shippers will continue to keep the world economy growing well into the future.

Rep. John Garamendi
Opening Statement
House Subcommittee on Coast Guard and Maritime Transportation Hearing

"Update on Efforts to Combat Piracy"

April 10, 2013

Mr. Chairman, thank you for scheduling this afternoon's hearing to update the subcommittee on the progress made by the administration and other international governmental and non-governmental partners to address the ongoing threat of piracy off the coasts of Africa.

My remarks will be brief. Before I begin, I would like to express my appreciation to Mr. Neil Smith, the Head of Underwriting for Lloyds Market Association, who on short notice graciously agreed to travel from London to share his insights on how the marine insurance industry addresses the risk of piracy. Thank you Mr. Smith, and to you and our other esteemed witnesses, welcome.

The success of the global economy, including the performance of the U.S. economy, depends on the efficiency of the global supply chain. And the efficiency of that supply chain rests on the reliability and safety of maritime commerce which carries an estimated ninety percent of global trade. Consequently, an activity that threatens maritime commerce, such as piracy, threatens much more than the safe passage of one vessel.

Fortunately, cooperative international efforts launched in 2009 when the Contact Group on Piracy off the Coast of Somalia was established have taken root and genuine progress has been made. The number of successful pirate raids and the number of seafarers held hostage have declined sharply over the past two years. Pirates are being apprehended and successfully prosecuted both in U.S. courts and abroad. And counter-piracy best management practices have been proven effective to deter acts of piracy.

But we cannot rest on our laurels. For as piracy off the Coast of Somali and the Gulf of Aden has waned, piracy off the West Coast of Africa, notably in the Gulf of Guinea, has risen.

We need to better understand whether the scope and magnitude of the international counter-piracy strategy off the Somali Coast and Indian Ocean is sustainable to prevent any resurgence in piracy. We also need a far better understanding of the financial institutions and networks that aid and abet piracy. Additionally, greater work must be done to support stable self-governance and economic growth among African states to reduce the availability of safe havens for pirates.

And we can never forget that piracy exacts a tremendous price from those seafarers who are simply unfortunate enough to be crew on the wrong vessel, sailing the wrong route, at the wrong time.

As we work to rid the threat of piracy from the global supply chain, we should work with equal vigor to ensure that seafarers in the U.S. and abroad receive the training they need to best avoid or defend against acts of piracy, or if captured, the support they deserve to recover from this traumatic experience.

Thank you.

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TESTIMONY OF RDML JOSEPH A. SERVIDIO
ASSISTANT COMMANDANT FOR PREVENTION POLICY

UPDATE ON EFFORTS TO COMBAT PIRACY

BEFORE THE
HOUSE TRANSPORTATION & INFRASTRUCTURE SUBCOMMITTEE
ON COAST GUARD & MARITIME TRANSPORTATION

APRIL 10, 2013

Good Morning Chairman Hunter, Ranking Member Garamendi, and distinguished members of the Subcommittee. Thank you for calling this hearing to provide an update on the United States' most recent efforts to combat piracy. The Coast Guard is focused on the safety of U.S. flagged vessels and the mariners who operate them throughout the world.

Background

A single incident of piracy affects the interests of numerous countries, including the flag state of the vessel, various states of nationality of the seafarers taken hostage, regional coastal states, vessel owners' states, and cargo shipment and transshipment states. In the case of Somalia-based piracy, brazen attacks across 2.5 million square miles of ocean from land-based enclaves along an under-governed, 2,300 mile coast pose a threat to global shipping. Eliminating piracy off the Horn of Africa requires coordinated governance, increased law enforcement capacity and rule of law in Somalia.

In December 2008, the National Security Council (NSC) released the National Strategy for Countering Piracy off the Horn of Africa: Partnership and Action Plan. The Plan layed out operational objectives for responding to the threat of piracy in three lines of action: (1) prevent pirate attacks by reducing the vulnerability of the maritime domain to piracy; (2) interrupt and terminate acts of piracy consistent with international law and the rights and responsibilities of coastal and flag states; and (3) facilitate the prosecution of suspected pirates in a just forum to ensure that those who commit acts of piracy are held accountable for their actions. Accomplishing the objectives of this Plan requires a coordinated government approach that integrates military, law enforcement, judicial, diplomatic, and commercial interests in and beyond the affected region.

Coast Guard Involvement in Shaping International Counter-piracy Frameworks

In addition to being the subject of domestic legal regimes, piracy is a crime of universal jurisdiction under conventional and customary international law. Accordingly, international law permits every nation to establish jurisdiction and punish the offenders, regardless of nationality of the perpetrator or the victims or of the vessels involved.[1] This has been a basic tenet of customary international law for centuries, and is also enshrined in treaties such as the 1958 Geneva Convention on the High Seas and the 1982 Law of the Sea Convention. In the last few years, over one thousand pirates have faced justice in more than 20 different nations.

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1 See 1982 United Nations Convention on the Law of the Sea, arts. 100-107

The Coast Guard has been actively engaged in supporting the development of legal frameworks to facilitate the prosecution of suspected pirates. This work includes the Djibouti Code of Conduct (for regional cooperation), the Contact Group on Piracy off the Coast of Somalia, and a number of International Maritime Organization (IMO) initiatives which have assisted numerous nations in the arrest and prosecution of pirates.

By designation of the Department of State, the Coast Guard serves as the Head of the United States Delegation for the IMO meetings and activities. IMO recommendations on piracy establish a framework for international cooperation, update counter-piracy guidance to industry, and, promote prosecution so that pirates face meaningful and just punishment under the rule of law.

Deterrence and Prevention Aboard U.S. Commercial Ships

The *Maritime Transportation Security Act (MTSA) of 2002* provides the legal authority for the Coast Guard to regulate safety and security in order to protect cargo, ships, and most importantly seafarers. Under this authority, the Coast Guard developed requirements for U.S. ship owners and operators to assess and plan for a wide range of security threats, including threats of piracy. This plan, known as a Vessel Security Plan, must be submitted to the Coast Guard for approval. In addition to the Vessel Security Plan requirements, MTSA gives the Commandant of the Coast Guard the authority to issue Maritime Security (MARSEC) Directives addressing specific security threats. Consistent with this authority, the Commandant issued MARSEC Directive 104-6 on 10 February 2006. This Directive provides guidance to Company Security Officers of U.S. commercial vessels engaging in international voyages to, or through, areas with a high risk for terrorism, piracy, or armed robbery against ships. Due to the dynamic nature of piracy, countermeasures in MARSEC Directive 104-6 are reviewed and validated regularly. There have been five revisions to MARSEC Directive 104-6 to date. Among other revisions, the Coast Guard, in consultation with other federal agencies and the marine industry, has modified designated high risk waters to extend farther off the coast of Somalia in response to the expanding threat of piracy in the Horn of Africa region.

Recognizing piracy is an issue of government-wide concern, the Coast Guard took the lead in forming a Piracy Action Team. This team consists of representatives from the Department of State, the Office of the Secretary of Defense, the Joint Chiefs of Staff, the Department of Transportation/Maritime Administration, the Office of Naval Intelligence, the Department of Commerce, the Department of Justice, the Military Sealift Command, the National Maritime Intelligence-Integration Office, the Overseas Security Advisory Council, the United States Agency for International Development, the Naval Criminal Investigative Service, U.S. Customs and Border Protection, the Transportation Security Administration, U.S. Africa Command, U.S. Central Command, U.S. Transportation Command, Coast Guard Intelligence Coordination Center, and the Coast Guard Atlantic Area.

The Coast Guard coordinates regular conference calls through which members keep each other informed of events affecting their agencies, discuss areas of mutual concern, and collaborate on guidance documents for U.S.-flagged ships, such as Port Security Advisories (PSAs). Numerous PSAs have been published on the Coast Guard Homeport website on topics including self-defense and the defense of others, carriage of weapons onboard vessels, minimum guidelines for security personnel, screening of security personnel, transport of weapons into foreign ports, and post-attack coordination. Each PSA was developed with the support of the interagency Piracy Action Team.

To fulfill a key objective of the NSC Plan and to strengthen international coordination as called for by U.N. Security Council Resolutions, the United States was an instrumental part of creating the Contact Group on Piracy Off the Coast of Somalia (CGPCS) to coordinate international counter-piracy efforts. The participants have established five Working Groups (WG) to address the following focus areas: activities related to military and operational coordination and information sharing (chaired by the United Kingdom); legal aspects of piracy

(chaired by Denmark); measures to strengthen shipping self-awareness and other capabilities (chairmanship recently assumed by the Republic of Korea from the United States); improvement of diplomatic and public information efforts on all aspects of piracy (chaired by Egypt); and coordination of international efforts to identify and disrupt the financial networks of pirate leaders and their financiers (chaired by Italy). During the most recent Plenary Session held in December 2012, the CGPCS decided that the United States will hold the Chair of the Contact Group for 2013.

The Coast Guard has also conducted numerous outreach activities, or "roundtables," for the shipping industry and mariners affected by U.S. government anti-piracy guidance. These activities are well attended by members of the interagency Piracy Action Team and ensure that the shipping industry and labor have the benefit of first-hand information exchange. During the time that the United States chaired Working Group 3, Best Management Practices (BMPs) for the marine industry were developed by industry. The BMPs have been revised several times and contain numerous counter piracy measures for companies and crews to implement onboard their vessels. These BMPs have proven to be one of the most effective tools for the industry and vessel crews to use against piracy.

Counter-piracy Enforcement

Coast Guard forces (boarding teams) operate in support of U.S. Central Command (CENTCOM) based on a formal Request for Forces. CENTCOM has operational and tactical control of these forces which participate in a multinational task force to actively deter, disrupt, and suppress piracy in order to protect global maritime security and freedom of navigation.

The following is a recent summary of the Coast Guard's support to CENTCOM regarding counter-piracy operations.

> In March 2013, an advanced interdiction team (AIT) from the Coast Guard Maritime Security Response Team returned home to the United States following a five-month counter-piracy deployment to the Middle East.
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> Under the direction of the U. S. Navy's 5th Fleet, the detachment served aboard the Jacksonville, Fl., based USS FARRAGUT (DDG-99) and the Portsmouth, Va., based USS WINSTON S. CHURCHILL (DDG-81), assigned to Combined Task Force (CTF) 151.
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> While aboard the Navy ships, the AIT provided subject matter expertise to the Visit, Board, Search and Seizure teams in emergency medical procedures, mission planning and execution, detecting hidden compartments onboard vessels suspected of smuggling contraband, and conducting drills involving the interdiction of suspected pirate skiffs and vessels involved in illicit activity.
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> In the Arabian Gulf, they took part in IRON SIREN, a multi-national evolution designed to assess the interoperability of the U.S. and United Arab Emirates navies to conduct counter-piracy and smuggling operations.
>
> The detachment attended NATO's Maritime Interdiction Operations Training Course of counter piracy and advanced boarding tactics training before deploying to CTF 151's area of responsibility. The course prepared the team for the execution of surface, sub-surface, aerial surveillance and special operations activities in support of maritime interdiction operations.

East Africa: An Update on Piracy Attacks Near Somalia

All of the efforts and coordination of anti-piracy measures has brought about an impressive reduction of successful pirate attacks in the Horn of Africa region. In 2010, there were 119 attacks with 51 vessels hijacked

and well over 1,000 mariners held hostage. Last year, there were 24 attacks, seven of which resulted in a vessel being hijacked. To date in 2013, there have been no successful attacks and currently there are only two vessels and fewer than 80 mariners being held hostage in Somalia. While this number is still too high, it is a clear indication that the U.S. government, international community, and maritime industry efforts have been effective. This significant drop may be attributed to continued naval deployments benefitting from excellent coordination mechanisms, development and implementation of Best Management Practices, and the increased use of privately armed security aboard many vessels operating in these high risk waters.

West Africa: A Different Challenge

Piracy, armed robbery at sea and maritime crime remain a continued threat to U.S. vessels and mariners operating within the Gulf of Guinea. The U.S. maritime industry footprint in the Gulf of Guinea is most prominent in Nigeria, where five U.S. companies operate offshore supply vessels in support of petroleum production. Hijackings for fuel theft, smash and grab-style robberies, and kidnapping of crewmembers for ransom continue to be the most common types of incidents. In 2012, 58 incidents were noted in the Gulf of Guinea. Maritime crime, armed robbery at sea and piracy that persists in the Gulf of Guinea differs from piracy off the coast of Somalia, though both are crimes of opportunity and plagued with violence. The Coast Guard continues to monitor evolving piracy and security risks in the Gulf of Guinea and maintains communications with the marine industry, crews and Company Security Officers who operate U.S vessels in this region. Finally, in an effort to address maritime crime, piracy and armed robbery at sea in this region, the U.S. government, to include the U.S. Coast Guard, played a supporting role to the Central and West African regional bodies and states in their development and review of a draft Gulf of Guinea Code of Conduct. The IMO has pledged its support to assist in the implementation of the Code of Conduct "concerning the prevention and repression of piracy, armed robbery against ships and illicit maritime activity in west and central Africa,"[2] which was adopted at a regional Ministerial meeting in Cotonou, Benin on March 19. The Code is expected to be opened for signature at the Central and West Africa Heads of State Summit on Gulf of Guinea Maritime Security, expected to be held in Yaoundé, Cameroon, on May 17-18, 2013.

Counter-piracy Prosecution

Piracy is a felony offense under U.S. law. 18 U.S.C. § 1651 provides that, "whoever, on the high seas, commits the crime of piracy as defined by the law of nations, and is afterwards brought into or found in the United States, shall be imprisoned for life." Dozens of Somali pirates have been prosecuted in U.S. courts for their role in attacks against U.S. Flag vessels and interests on the high seas. The five defendants who mistook the USS NICHOLAS for a merchant vessel and attacked it were found guilty on all charges and each defendant was sentenced to life plus 80 years. The five defendants who attacked the USS ASHLAND have been convicted and await sentencing. In the sailing yacht QUEST case, fifteen defendants were brought to Norfolk, Virginia for prosecution. Twelve defendants have been convicted or pled guilty and face mandatory life sentences. The three remaining defendants now face capital charges.

Conclusion

The threats piracy pose to the United States, our international partners, the maritime industry and mariners are multi-faceted. The response to these threats requires a broad array of legal authorities, operational capabilities, skills and competencies, and the support and expertise of numerous U.S. government, international, and commercial entities. The Coast Guard has an important role to play, and remains committed to working with our military, government, maritime industry, and international partners to reduce acts of piracy, bring these criminals to justice and forge long-term solutions for regional maritime safety and security.

Thank you for the opportunity to address you today and for your attention. I look forward to your questions.

[2] http://www.imo.org/MediaCentre/PressBriefings/Pages/09-westcentralafricapiracycode.aspx

Question#:	1 (Parts 1 & 2)
Topic:	Gulf of Guinea
Hearing:	Update on Efforts to Combat Piracy
Primary:	The Honorable John Garamendi
Committee:	TRANSPORTATION (HOUSE)
Witness:	Rear Admiral Joseph Servidio – USCG
Organization:	U.S. Department of Homeland Security

Question: Admiral Servidio, in your statement at the hearing, you mentioned that the U.S. Government, including the Coast Guard, played a supporting role in the development and review of a draft Code of Conduct "concerning the prevention and repression of piracy, armed robbery against ships and illicit maritime activity in West and Central Africa."

Can you share with us any of the specifics of this code? Is its adoption and implementation entirely voluntary?

Response: The International Maritime Organization (IMO) has supported a new Code of Conduct aimed at "the prevention and repression of piracy, armed robbery against ships and illicit maritime activity in west and central Africa." The Code will be opened for signature in June this year, when a meeting of the Heads of State and Government of Central and West African States is scheduled in Cameroon.

In the aftermath of UN Security Council resolutions issued in 2011 and 2012, the Code was developed by the Economic Community of West African States (ECOWAS) and the Economic Community of Central African States (ECCAS). It is meant to put in place a broad based regional strategy to tackle the growing menace of piracy and armed robbery at sea in the Gulf of Guinea and West Africa. With the support of the IMO, the new Code of Conduct will help countries share information, coordinate operational and jurisdictional issues, pursue prosecution of apprehended suspects, and facilitate proper care, treatment and repatriation of seafarers; particularly those who have been subjected to violence.

The IMO has been involved in a series of table top exercises in the region since last year, meant to help coordinate maritime security and maritime law enforcement issues between States in the region. This IMO initiative started with an exercise in Ghana, with subsequent activities in Equatorial Guinea, the Gambia, Liberia and Sierra Leone. Further exercises are scheduled for Côte d'Ivoire, the Congo, the Democratic Republic of the Congo and Senegal. The IMO is also supporting the Oil Companies International Marine Forum (OCIMF) and the Government of Ghana to develop the Maritime Trade Information Sharing Centre (MTISC) in Ghana. This will receive and promulgate

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information from and to merchant shipping operating in the area in order to assist them to develop regional situational awareness.

Signatories to the new Code of Conduct intend to co-operate to the fullest possible extent in the prevention and repression of piracy and armed robbery against ships, transnational organized crime in the maritime domain, maritime terrorism, illegal, unreported and unregulated (IUU) fishing and other illegal activities at sea.

Question: What are the odds that it will be adopted and signed by heads of state participating at the upcoming Summit on Gulf of Guinea Maritime Security in May?

Response: The date for the upcoming summit is now June 2013. The State Department expects the Code of Conduct to be opened for signature in June, when a meeting of the Heads of State and Governments of Central and West African States is scheduled in Cameroon. Based on earlier discussions at a meeting with the countries' Foreign Affairs Ministers in March 2013, all country Heads of State attending the June meeting are expected to sign it. The Assistant Commandant for Prevention Policy's conversations with the head of a Congo delegation to Coast Guard Headquarters, as well as piracy talks with the Liberian Vessel Registry leaders, support the expectation that regional Heads of State will sign the Code of Conduct.

Question#:	2
Topic:	AIT
Hearing:	Update on Efforts to Combat Piracy
Primary:	The Honorable John Garamendi
Committee:	TRANSPORTATION (HOUSE)

Question: Admiral, it would appear that the Coast Guard's deployment of Advanced Interdiction Teams (AIT) has been valuable in providing expertise regarding vessel boarding and search and seizure operations initiated by Combined Task Force 151. AITs also appear to have enhanced the interoperability of U.S. forces for international partners.

Does the Coast Guard envision the long-term overseas deployments of AITs in counter-piracy operations?

If not, have AITs been engaged in training activities with naval detachments and coalition naval forces to ensure that this skill set remains ready and available?

Response: U.S Central Command (CENTCOM) is the Operational Commander responsible for assigning forces to counter-piracy operations executed by Combined Task Force (CTF) 151. There is a persistent Request for Forces (RFF) from CENTCOM that is validated by the Joint Staff which results in the deployment of Coast Guard AITs to CENTCOM. These Coast Guard forces are under the Operational Control (OPCON) and Tactical Control (TACON) of CENTCOM.

As determined by CENTCOM, AITs may be employed as operational units, or support Theater Security Cooperation initiatives including operations and/or training with Allies and partner nations, or training in maritime law, boarding policies and procedures, evidence collection and case preparation, and tactical operations and procedures.

Coast Guard intends to continue to maintain the capability to provide AITs capable of world-wide deployment. The Coast Guard is a military service and as such, provides resources as a Joint Force Provider to support Geographic and Functional Combatant Commander requirements where the Coast Guard is especially qualified. A variety of Coast Guard assets have or are deployed to CENTCOM to support the Commander's priorities including CTF 150/151/152 operations.

The Commandant of the Coast Guard has committed to sourcing the CENTCOM RFFs as long as they remain the highest priority for the Joint Staff and are fully funded.

The Coast Guard forces assigned to support these efforts are under the OPCON and TACON of CENTCOM and are not under the direction of the Coast Guard.

Question#:	3 (Part 1 & 2)
Topic:	companies and personnel
Hearing:	Update on Efforts to Combat Piracy
Primary:	The Honorable John Garamendi
Committee:	TRANSPORTATION (HOUSE)

Question: Admiral, it is generally accepted that the adoption of Best Management Practices, especially the use of private maritime security companies and Privately Contracted Armed Security Personnel, have been significant deterrents to pirate activity. Although this practice is a substantial departure for non-combatant status of commercial vessels the shipping industry appears to have accepted the use of armed security personnel despite the risks involved.

Do you believe that the use of armed security personnel aboard commercial vessels transiting high risk waters is here to stay?

Response: In some situations, such as on the high seas, this tool to counter piracy is 100% effective when used with the Best Management Practices. In the same vein, the use of privately contracted teams is not an effective tool where piracy and armed robbery against ships extends into the sovereign waters where there is governance by states such as in the Gulf of Guinea or the Straits of Malacca.

Not all vessels need to use armed teams to protect themselves, as the use of the Best Management Practices and coordination of international maritime forces or littoral state forces can be as effective to prevent pirate boardings and attacks. An initial security assessment by the vessel's owner/operator of the threats and risks on each vessel can ensure a vessel is hardened to specific threats for its area of operation. This assessment should indicate the effective tools needed, and the areas of operation should relate whether the use of an armed team is necessary and, if one is needed, whether it should be made up of military personnel provided through the flag state or littoral state where the vessel is in operation, or a privately contracted team.

The world fleet owners will make the final decision on how to use armed security teams on their ships in the future. Armed security teams, whether military or privately contracted, are one of many tools available to effectively protect a vessel from the threats of robbery and piracy. Armed teams will have a place in certain security concerns in the future, but their use will probably decline after the current threat off of Somalia has curtailed.

Question: Is the Coast Guard satisfied with the guidelines developed by the International Standards Organization regarding the use of maritime security companies aboard vessels?

Response: We have reviewed the standards and find that they meet the minimum requirements for third party industry certification of Private Maritime Security Companies

Question#:	3 (Part 1 & 2)
Topic:	companies and personnel
Hearing:	Update on Efforts to Combat Piracy
Primary:	The Honorable John Garamendi
Committee:	TRANSPORTATION (HOUSE)

(PMSCs) within the quality system standards of ISO 28000. The new ISO 28007 Publicly Available Specification (PAS) is still open for review and comment until action is taken by ISO and we believe this review and comment by external stakeholders is needed and valuable. The PAS was published on 15 December 2012, and it could take up to three years before actions are taken to make it an adopted standard.

The ISO is introducing the 28007 PAS to the International Maritime Organization's 92nd session of the Maritime Safety Committee (MSC 92) in June 2013. The U.S. expects that comments received from discussion of the ISO's paper at MSC 92 could lead to recommendations from IMO Member States for amendments and also include direction to support early adoption of the standard. If that should occur, ISO could move sooner than the 3 year period for collecting public comments and could take actions to amend and adopt the specification as a final standard.

The U.S. Coast Guard will head the U.S. delegation to MSC 92, and we will be involved in that dialogue. The U.S. will support actions to move the specification to be completed as a final ISO standard if it is agreed upon. We will also support recommendations, as we have at earlier Maritime Safety Committee sessions, that it is the sovereign state's responsibility to develop standards and certify PMSCs contracted to work on their flag's vessels.

The U.S. published its guidelines for contracting armed security teams on 24 July 2009 in Port Security Advisory (5-09) (Rev 1), "MINIMUM GUIDELINES FOR CONTRACTED SECURITY SERVICES IN HIGH RISK WATERS."

The document can be found at: https://homeport.uscg.mil/cgi-bin/st/portal/uscg_docs/MyCG/Editorial/20091120/Port%20Security%20Advisory%205-09%20Minimum%20Guidelines%20Rev%201.pdf?id=f8d85a4ee296f73785bf177d77c657a0a73f7c9b&user_id=2a47d4dbfd24ce2da39438e736cab2d6

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BY THE SUBCOMMITTEE

STATEMENT OF

REAR ADMIRAL JOSEPH W. KUZMICK

DIRECTOR, OPERATIONS AND PLANS

UNITED STATES NAVY

BEFORE THE

SUBCOMMITTEE ON

COAST GUARD AND MARITIME TRANSPORTATION

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

ON

EFFORTS TO COMBAT PIRACY

APRIL 10, 2013

Mr. Chairman, Ranking Member Garamendi, distinguished members of the subcommittee, I am Rear Admiral Joe Kuzmick appearing today on behalf of the Chief of Naval Operations. As a member of the CNO's staff in the Operations, Plans, and Strategy Directorate, I am happy to have the opportunity to appear before your committee and discuss the U.S. Navy's ongoing efforts to counter piracy on the high seas.

At the start of this century, maritime piracy was at a relatively low level and received little attention in the international community. When individual piracy acts did occur, the affected nation pursued its own counter-piracy efforts as part of its ongoing criminal prevention and prosecution efforts. The increase in piracy in the Strait of Malacca in 2003 and 2004 garnered worldwide attention and concern, but the affected nations in the region largely handled it. However, piracy off the Somalia coast changed the worldwide perception of the problem.

Somali Piracy off the Horn of Africa

Between 2005 and 2007, Somali pirates hijacked a number of vessels within 200 nautical miles of the Somali coast. By 2007 and 2008, pirate attacks off the coast of Somalia had begun to escalate dramatically. Motivated by escalating ransom payments that eventually grew to reach millions of dollars, more and more Somali men turned to piracy. As a result, piracy evolved from a fairly ad hoc, disorganized effort to a highly developed criminal enterprise. Somali pirates were able to improve their capabilities and expand their area of operations further and further from the Somali coast. At their peak, pirates could operate for weeks at a time up to 1,200 nautical miles from the Somali coast in shipping lanes off the Horn of Africa. At its maximum, the pirate operating area comprised an area more than 2.85 million square nautical miles, an area larger than the United States.

From 2008 to 2009, the number of successful pirate hijackings increased from 44 to 52, while the total number of piracy incidents (successful hijackings and unsuccessful attacks) more than doubled from 86 to 181. In 2010, the trend line remained relatively constant with 51 successful hijackings and 182 overall piracy incidents. By 2011 the trend

reversed with the number of piracy incidents dropping to 166 and dropping further to only 32 in 2012. Likewise, the number of successful hijackings declined by 74 percent from 27 vessels in 2011 to only seven vessels in 2012 making 2012 the year with the lowest level of pirate activity since 2006. As of April 1 of this year, Somali pirates are holding only two vessels and sixty crewmembers hostage, a significant decline from the over 30 vessels and over 600 crewmembers held in early 2011.

The decrease in both the number of attacks and successful hijackings can be attributed to a number of factors including the implementation of Best Management Practices (BMP), an increasingly robust multinational naval presence and the increased use of Privately Contracted Armed Security Personnel (PCASP) on merchant vessels.

Many vessels transiting near the Horn of Africa now adhere to Best Management Practices (BMP), an industry-developed set of guidelines for transiting merchant vessels to prevent pirate attacks. BMPs include the use of concertina, razor wire, and water hoses; transiting at speeds above 16 knots; use of ship citadels; and avoiding high-risk areas. Although BMPs are not always successful in deterring and preventing piracy attacks, implementing the recommendations significantly decreases the likelihood of being hijacked.

Critical to the decline in piracy has been the deployment of naval forces. The U.S. Navy is engaged in Horn of Africa counter-piracy operations under Commander, Task Force (CTF) 151. CTF 151 is a multinational task force established in January 2009 to conduct counter-piracy operations under a mission-based mandate throughout the Combined Maritime Forces (CMF) area of responsibility to actively deter, disrupt and suppress piracy in order to protect global maritime security and secure freedom of navigation for the benefit of all nations. In addition to the United States, 14 countries currently participate in CTF 151: Australia, Bahrain, Canada, France, Jordan, Republic of Korea, Netherlands, Pakistan, Saudi Arabia, Singapore, Spain, Thailand, Turkey, and the United Kingdom. CTF 151 is presently commanded by Thailand. It has been commanded by Denmark, Korea, Pakistan, Turkey and the United States. The command staff is

comprised of personnel from a number of coalition countries, and manages daily operations from a command ship.

Coalition naval forces are frequently able to locate, intercept, and take into custody Somali pirates associated with failed attacks on merchant vessels. On occasion, naval forces have successfully disrupted Somali pirate attack groups departing Somalia on hijacking missions. As a result, fewer Somali pirate attack groups have been operating off Somalia. In addition to our efforts, there are two coordinated multinational naval patrols off the Horn of Africa. NATO is engaged with Operation OCEAN SHIELD and the European Union has Operation ATALANTA. Other national navies, including several from Asia and the Middle East, conduct counter-piracy patrols and escort operations as well. These are independent from the CTF 151 efforts but are coordinated through participation in Shared Awareness and Deconfliction (SHADE) meetings in Bahrain to provide working-level opportunities for navies to come together to share information and deconflict efforts to counter Somali piracy in the greater Horn of Africa.

At the peak point of operations, up to 30 vessels from as many as 22 nations were engaged in counter-piracy operations in the region. International naval forces have thwarted pirate attacks in progress, engaged pirate skiffs, and successfully taken back hijacked ships during opposed boardings. We have worked together to create safer shipping lanes through the Gulf of Aden for commercial shipping vessels by establishing the Internationally Recommended Transit Corridor (IRTC) in 2009. Coalition naval forces maintain a robust presence in the IRTC which has helped reduce the number of attacks within the Gulf of Aden.

While Best Management Practices provide an increased level of protection against pirate attacks, and naval operations have provided an effective deterrent to attacks in major shipping channels, Somali pirates were still able overcome these defensive measures, specifically in areas outside major shipping channels. As a result, ship owners increasingly turned to PCASP because of their effectiveness in preventing pirate boardings. To date, no vessel with a PCASP has been successfully hijacked by Somali pirates. There are no official statistics on how many vessels transiting the region have PCASPs; however, based

upon self-reporting from these vessels, we assess approximately 50 percent or more vessels likely have PCASPs. Since January 2012, 23 of the 28 attacks on vessels were successfully repelled by PCASPs. Suspected pirates also aborted planned attacks after encountering PCASPs in an additional 76 incidents. Furthermore, pirates do not appear to be attempting to change their tactics or procedures to overcome PCASPs. To the contrary, it appears pirates are consciously avoiding vessels with PCASPs and looking for more vulnerable vessels.

In addition to the overall decrease in the number of pirate attacks and the number of successful hijackings, the combined effectiveness of BMPs, international naval presence and PCASPs has made a positive impact throughout the region. There has been no reported pirate activity in the Mozambique Channel since December 2010; there have been no confirmed attacks or hijackings in the Red Sea since September 2011; there has been no pirate activity within 300 nautical miles of India in 2012 or 2013; there has been no hijacking in the Gulf of Aden since October 2011; and there has been a significant decrease in pirate activity off of Kenya and Tanzania.

Although the pirate success rate – that is, the number of successful hijackings compared to the total number of attacks – decreased from 28 percent in 2009 and 2010 to 16 percent in 2011, the pirate success rate did increase to approximately 22 percent in 2012. The success rate most likely increased because pirates are now probing vessels for armed security before launching an attack. If the pirates identify armed security on a vessel, they will normally leave the area and search for a more vulnerable target. As a result of this probing, there is a higher likelihood that pirates will attack vessels with no PCASP onboard, thus increasing their chances of boarding or hijacking the vessel.

Despite the increase in success rate in 2012, the data from 2013 is very encouraging. So far this year, there have been no successful hijackings or attacks. While two vessels this year were approached by pirates, the presence of PCASPs in both cases caused the pirates to turn away before commencing an attack. To be clear, this remarkable success is a direct result of the increased use of Armed Embarked Security Teams, an

increased Coalition naval presence, and effective implementation of Best Management Practices by industry.

Armed Robbery and Piracy in the Gulf of Guinea

There are many differences between maritime crime conducted by Somali-based pirates when compared with acts in the Gulf of Guinea. Whereas the majority of attacks conducted by Somali pirates take place in international waters, the majority of attacks in the Gulf of Guinea occur within the territorial sea of the coastal nations. The methods of profiting also differ. The overwhelming majority of Somali pirate attacks are "hijacking for ransom" where the vessel, cargo and crew are held for ransom. In the Gulf of Guinea, hijackings for fuel theft, robberies, and kidnapping crew members for ransom are the most common types of incidents. Two factors contribute to the limited number of "hijacking for ransom" in the Gulf of Guinea. First, unlike Somalia, coastal nations in the Gulf of Guinea have functional navies, coast guards or other constabulary forces capable of conducting law enforcement operations within their territorial waters. Second, these forces are able to exercise some control over their maritime domain eliminating any potential "safe haven" at sea to hold pirated ships.

Prior to 2005, the number of incidents in the Gulf of Guinea regularly exceeded and often doubled the number of attacks off the coast of Somalia. Recently, the number of incidents in the Gulf of Guinea has declined from 104 incidents in 2011 to 86 incidents in 2012. The number of incidents in the Gulf of Guinea so far in 2013 has remained commensurate with levels seen in 2011 and 2012 with 22 incidents as of March 21.

Armed robbery and piracy in the Gulf of Guinea includes both kidnapping for ransom and hijacking to steal cargo. Each method is likely perpetrated by distinct groups, given the difference in target selection and tactics employed. The criminals are displaying an ability to overcome increases in regional security patrols and changes in oil industry vessel traffic routes. Gulf of Guinea piracy tactics are evolving in the face of increased coastal security patrols by the Nigerian Navy and their partnerships with other regional navies to address piracy. Additionally, the operational sophistication and ability to target

specific vessels has improved. Gulf of Guinea armed robbery and piracy tactics are evolving in 2013, to include the use of mother-ships (a tactic seen in pirate activity off the Horn of Africa). Nigerian criminal gangs continue to kidnap high value foreign hostages from vessels transiting or operating near the Niger Delta. The average time a hostage is held until a ransom is paid is two to four weeks. Indications are that ransoms are increasing, which will likely perpetuate the problem.

Gulf of Guinea criminals targeting petroleum tankers off the coast of Benin in 2011 shifted some of their hijacking operations further west to the Togo and Cote d'Ivoire in 2012 in part due to the joint Nigerian/Benin naval patrols and the fact that mariners were likely attempting to avoid the Benin coast where many of the previous hijackings occurred. Hijackings are now taking place further from the coast, including into international waters where local authorities will be more challenged to respond. Criminals behind the tanker hijackings are likely acquiring information illegally that allows them to target specific vessels based upon their cargo.

In the Gulf of Guinea, limited naval and maritime law enforcement capabilities and presence will continue to hamper efforts to reduce the threat in the region. The use of private PCASPs, which could help reduce attacks, is prohibited outright by some countries bordering the Gulf of Guinea while in others, if a company chooses to use a PCASP, the PCASP must be from the host nation owning the territorial waters. Although these "host nation" PCASPs may be available, they are not widely employed by the shipping industry when operating in the Gulf of Guinea because of their ineffectiveness and corruption.

Partnerships and Capacity Building in Africa

Just as the characteristics of piracy and armed robbery at sea differ between Somalia and the Gulf of Guinea, so too do the efforts to combat them. Since most of the attacks occur within the territorial sea of coastal states, naval patrols in international waters have little effect. Rather, a robust program of Theater Security and Cooperation exercises and events aimed at promoting the professionalism, sustainable capability, effectiveness

and interoperability of coastal states navies, coast guards, and other constabulary forces provides a more effective means of countering this threat.

From November 2007 to May 2008, USS FORT MCHENRY and HSV SWIFT deployed to the Gulf of Guinea to conduct focused training and maritime collaboration on a regional scale. These two ships, along with an international staff, made repeat visits to multiple nations including Senegal, Liberia, Ghana, Cameroon and Sao Tome and Principe. This initiative was subsequently christened Africa Partnership Station (APS).

African Partnership Station is a comprehensive international approach designed to build maritime security in Africa in a collaborative manner. Working together with partne nations, governments, NGOs and the private sector, U.S. Naval Forces Africa (NAVAF) uses APS as its principal vehicle to promote maritime security in Africa. APS is an umbrella program whereby U.S., European and other international partners cooperate and synchronize efforts with African partners to increase maritime security and maritime domain awareness in Africa. APS is now a year-round, maritime capacity building continuum which progresses from basic training to exercises and then leading into combined law enforcement operations.

NAVAF has developed and hosts four regional maritime security exercises around the African continent. The goal is to enable participating forces to effectively patrol their territorial waters and exclusive economic zones to address maritime crime and piracy. Exercise OBANGAME EXPRESS focuses on the Gulf of Guinea region and has been conducted annually since 2010. The sixteen countries participating in 2013 were Belgium, Benin, Brazil, Cameroon, Cote d'Ivoire, Equatorial Guinea, France, Gabon, Netherlands, Nigeria, Republic of Congo, Sao Tome and Principe, Spain, Togo and the United States.

Exercise CUTLASS EXPRESS, conducted annually since 2011 and most recently conducted in November 2012, focuses on maritime security in the Indian Ocean and Gulf of Aden. This year's exercise took place at sea in the vicinity of Djibouti, Djibouti; Port Louis, Mauritius, and Dar Es Salaam, Tanzania with coordination among regional

maritime operations centers. Participating countries included Djibouti, Mauritius, Mozambique, the Netherlands, the Seychelles, Tanzania, Uganda, and the United States.

SAHARAN EXPRESS is an exercise conducted annually since 2011. The most recent exercise was completed in March 2013. This annual exercise focuses on increasing counter-piracy capabilities and deterring maritime crime in West Africa. During SAHARAN EXPRESS 2013, ten ships, four aircraft, and four maritime operation centers were operated by participating nations to achieve common maritime security goals. Participating nations in SAHARAN EXPRESS included Cape Verde, Cote d'Ivoire, France, The Gambia, Liberia, Mauritania, Morocco, the Netherlands, Portugal, Senegal, Sierra Leon, the United Kingdom and the United States.

The final exercise in the NAVAF African Partnership Series, PHOENIX EXPRESS, is a multinational exercise between Southern European, North African, and Unites States naval forces focused on safety and security in the Mediterranean Sea.

African Maritime Law Enforcement Partnership (AMLEP) is the operational arm of APS. AMLEP in a combined, interagency law enforcement operation using U.S. Coast Guard boarding teams and U.S. or international maritime assets in conjunction with host nation boarding teams to conduct underway patrol operations in the host nation territorial seas and Exclusive Economic Zones. Under the AMLEP model, while the combined boardings are conducted at sea, the host nation assumes responsibility for any arrests and resulting criminal prosecutions. In 2012, NAVAF conducted AMLEP operations with Cape Verde, Sierra Leone, the Gambia and Senegal. Additionally, NAVAF is currently preparing for potential AMLEP operations with a number of other West African nations.

Piracy in Southeast Asia

Southeast Asia comprises more than 1.6 million square miles of ocean and over 25,000 archipelagic islands with over 17,000 in Indonesia alone. Nearly one quarter of the world's commerce and half its oil pass through the Strait of Malacca and South China Sea. Maritime crime and piracy in Southeast Asia primarily revolve around illicit activities such as cross-border smuggling, drug/weapons trade, human trafficking, and

trafficking of illicit resources. From 2007 to the present, nearly 700 maritime crime and piracy incidents have been reported in Southeast Asia. Maritime criminals tend to operate primarily in high-traffic areas. The majority of the reported events in this area are quickly executed, non-confrontational "smash and grab" operations. Most incidents in Southeast Asia occur while vessels are anchored or berthed and are conducted by robbers seeking to steal a ship's stores or the crew's personal belongings. Hijackings and hostage taking incidents are rare. Southeast Asia piracy and maritime crime declined almost 30 percent during 2012 from 178 incidents in 2011 to 126 incidents in 2012.

Piracy and maritime crime in Southeast Asia bears more similarities to the Gulf of Guinea than the Horn of Africa. A significant number of attacks in Southeast Asia occur within the territorial seas of coastal nations. "Hijacking for ransom" events are virtually non-existent. The purposes of the attacks are numerous: crew robbery, cargo theft, vessel theft, smuggling, and kidnapping crew members for ransom. Like the Gulf of Guinea, Southeast Asian nations have functional navies, coast guards or other constabulary forces capable of conducting law enforcement operations and exercising control over the respective nations' maritime domain. Accordingly, the United States Navy has focused efforts in Southeast Asia on Theater Security and Cooperation events in an effort to strengthen partner nation maritime law enforcement capabilities.

United States Seventh Fleet has led the effort to enhance area nations' ability to combat piracy and maritime crime. Southeast Asia Cooperation and Training (SECAT) is an annual multinational exercise held at Changi Naval Base, Singapore. The exercise highlights the value of information-sharing and multilateral cooperation in maritime interdiction scenarios, including counter-piracy. Participating nations in 2012 included Brunei, Indonesia, the Philippines, Singapore, Thailand and the United States. Additionally, Commander, Seventh Fleet conducts annual bilateral Cooperation Afloat – Readiness and Training (CARAT) exercises with various ASEAN nations. In 2012, the United States conducted CARAT exercises with Bangladesh, Brunei, Cambodia, Indonesia, Malaysia, the Philippines, Singapore and Thailand. The at-sea phases of CARAT focused on maritime intercept (MIO) operations, counter-piracy, anti-smuggling and, maritime law enforcement.

The threats that piracy and maritime crime pose to the United States, our international partners, and the industry and seafarers who make their living at sea are multi-faceted. The response to these threats requires a broad array of operational capabilities, skills and competencies, and the support and expertise of numerous U.S. government, international, and commercial entities. The United States Navy plays a unique role, and remains committed to working with our fellow government agencies, our international partners, and with industry to forge long-term solutions for regional maritime safety and security.

Thank you for the opportunity to testify, and I look forward to your questions.

CHARRTS No.: HTICCGMT-01-001
Hearing Date: April 10, 2013
Committee: HTICCGMT
Member: Congressman Garamendi
Witness: RADM Kuzmick
Question: #1

Gulf of Guinea Piracy

Question: Admiral, in your discussion of the factors that contribute to the limited number of "hijackings for ransom" in the Gulf of Guinea, you attributed this outcome to the fact that coastal nations in the region have functional navies, Coast Guards, or other forces that conduct law enforcement in their territorial waters.- If these coastal states have effective control over their territorial waters, why have the number of pirate attacks continued to escalate over the past couple of years in the Gulf of Guinea?

Answer: As opposed to the conditions off the Horn of Africa where Somalia has no effective Navy, Coast Guard, or other law enforcement in its territorial waters, the coastal states bordering the Gulf of Guinea do have functional Navies, Coast Guards or other forces to conduct law enforcement operations in their territorial waters. Although these forces are functional, their capability and effectiveness vary from state to state. The Navy, through the leadership of US Naval Forces Africa and the US Sixth Fleet, has focused its efforts on capacity building through Theater Security Cooperation events such as Africa Partnership Station, Exercise OBANGAME EXPRESS, and African Law Enforcement Maritime Partnership (AMLEP). However, having an effective and professional maritime security force does not necessarily equate with having complete control over territorial waters and a complete ability to prevent crime. Many modern, industrialized nations throughout the world with professional, capable maritime security forces have challenges preventing illegal activity such as drug trafficking, illegal immigration, and contraband smuggling within their territorial waters. Yet these nations, like the Gulf of Guinea coastal states, have the resolve to enforce the law in their territorial seas to the best of their ability. The law enforcement efforts of the Gulf of Guinea coastal states resulted in a decrease in maritime crime and piracy in West Africa between 2008 and 2010. As criminals adjusted their behavior -- changing tactics, locations, and target selection -- the rate rose between 2010 and 2012 returning roughly to 2008 levels. The capacity-building efforts of US naval forces enhances the ability of coastal states to respond to these changes.

CHARRTS No.: HTICCGMT-01-002
Hearing Date: April 10, 2013
Committee: HTICCGMT
Member: Congressman Garamendi
Witness: RADM Kuzmick
Question: #2

Gulf of Guinea Piracy

Question: Additionally, if these pirates are able to conduct fairly sophisticated lightering operations to steal oil shipments from tankers, safe havens must be readily available in the region.- What are U.S. naval forces doing to identify these safe havens in order to target counter-piracy operations? Are the coastal state navies, Coast Guards and constabulary authorities cooperating with U.S. forces? (THIS QUESTION FOLLOWS QFR#1).

Answer: The presence of safe havens off the Horn of Africa was a significant factor contributing to the rise of Somali piracy beginning in 2007. There have been multiple vessels hijacked and held for ransom at these anchorages since 2007. These hijacked vessels are held for ransom for months and sometimes years. As of April 30, 2013, two vessels are still being held for ransom at these safe havens. In comparison, in the Gulf of Guinea, even a relatively sophisticated theft of an oil shipment is measured in hours as opposed to months or years. To the extent it is possible to isolate the location of these fuel thefts, the Navy, through US Naval Forces Africa and the US Sixth Fleet, has worked with coastal states' navies and Coast Guards to develop the full range of Maritime Domain Awareness capabilities including maritime patrols, use of Automatic Identification System (AIS) and vessel traffic services (VTS) for identifying and locating vessels electronically, and encouraging information and intelligence sharing among coastal states. Coastal states' navies and Coast Guards have been receptive to the training, exercises and operations afforded by Africa Partnership Station events.

CHARRTS No.: HTICCGMT-01-003
Hearing Date: April 10, 2013
Committee: HTICCGMT
Member: Congressman Garamendi
Witness: RADM Kuzmick
Question: #3

Impacts of Cessation of E.U. Operation ATALANTA

Question: In response to the escalation of piracy off the Horn of Africa, NATO initiated Operation OCEAN SHIELD and the European Union launched Operation ATALANTA. Patrol and escort operations under both cooperative initiatives have complemented the counter-piracy operations initiated through CTF-151 despite their independence from CTF-151 activities.- My understanding is that the EU intends to end Operation ATALANTA in 2014. Does this loss of capability concern you?- Will U.S. naval forces be called upon to make a greater commitment as part of CTF-151?

Answer: The United States Navy through US Naval Forces Central Command and the US Fifth Fleet continuously evaluate the force structure necessary to execute assigned missions including counter-piracy. European Union (EU) Operation ATALANTA is currently authorized and funded through the end of 2014. The EU authorized Operation ATALANTA in December 2008 for a period of 12 months. In December 2009, the EU extended the operation until December 2010. In December 2010, the EU extended the mandate until December 2012. And in March 2012, the EU extended Operation ATALANTA through December 2014. If the EU does not extend the mandate past December 2014, the United States Navy through US Naval Forces Central Command and the US Fifth Fleet will evaluate the impact and make appropriate force allocation decisions based upon the existing threat.

STATEMENT OF DAVID T. MATSUDA
ADMINISTRATOR
MARITIME ADMINISTRATION
U. S. DEPARTMENT OF TRANSPORTATION

BEFORE THE
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION

Update on Efforts to Combat Piracy

April 10, 2013

Good afternoon Chairman Hunter, Ranking Member Garamendi and Members of the Subcommittee. I am pleased to have the opportunity to appear before you today to provide an update on the efforts to counter maritime piracy, which continues to be a serious threat to shipping, mariners and commerce around the world.

As you are aware, beginning in 2008, the incidents of piracy off the coast of Somalia and Horn of Africa increased dramatically. With more than 20,000 merchant vessel transits in this region each year, the opportunities have been plentiful for seizing vessels and holding them for ransom. According to the International Maritime Bureau (IMB), an organization which maintains global maritime piracy and crime statistics, 2010 was the worst year on record for Somalia piracy. Although data varies depending on the source, IMB notes that in 2010, there were 445 piracy attacks on merchant vessels in the Horn of Africa with 53 ships seized along with 1,181 seafarers captured. As more ships were captured, the average ransom payment to pirates increased to nearly $5 million per ship in 2011.

The threat to global shipping from piracy in the waters off Somalia has been substantial. Ten percent of the world's oil shipments pass through the Gulf of Aden along with roughly 50 percent of the world's container cargo traffic. A substantial amount of humanitarian food aid cargo also transits the region. On any given day, up to a dozen U.S. flag vessels are operating in the Horn of Africa, Gulf of Aden sea lanes.

Unfortunately, the problem of piracy is not confined to the Horn of Africa. In recent years, the Gulf of Guinea has also been experiencing a surge in armed attacks at sea, although it is of a different nature than the piracy in the waters off Somalia. In the Gulf of Guinea, the common practice is to board merchant ships, rob the crew and frequently steal cargo, particularly petroleum products which easily can be sold on the open market. Gulf of Guinea attacks are increasingly violent, and many mariners have been beaten or killed. According to IMB,

incidents in the Gulf of Guinea increased from 30 in 2011 to 34 in 2012. Other regions in the world where piracy is a threat include the Straits of Malacca, Indonesia, Malaysia, and the South China Sea.

Clearly there have been economic consequences from piracy. Shipping companies operating vessels in the Horn of Africa region have been forced to pay higher insurance premiums and additional crew wages, invest in costly modifications to vessels to protect against attacks, hire armed security guards and consume more fuel to maintain high speed while sailing through the high risk waters.

Perhaps the most important cost of piracy is a human one. Crews robbed and physically abused by pirates or held hostage for long periods of time frequently experience serious post-traumatic stress disorder. Some refuse to go to sea again, forfeiting their careers and livelihood. The toll on the seafarers and their families who have experienced piracy is profound.

Since the piracy crisis in the Horn of Africa erupted in the 2005 to 2008 timeframe, the United States has taken a leading role in promoting a collaborative international reaction. With strong U.S. support, the United Nations (U.N.), in 2008, passed several resolutions designed to counter piracy by authorizing combatants from other nations to enter Somali waters to suppress piracy. U.N. Security Council Resolution 1851 also encouraged the establishment of the Contact Group on Piracy off the Coast of Somalia (CGPCS). The CGPCS was established in early 2009 and now consists of five working groups: (1) Military Coordination and Regional Capacity Building, (2) Legal Aspects of Counter Piracy, (3) Industry/Government Coordination of Best Practices to Prevent Piracy, (4) Public Diplomacy Aspects of Combating Piracy and (5) International Information Sharing Between Governments and Industry to Disrupt Piracy. Since 2009, the CGPCS and its working groups continue to meet several times a year. They have provided numerous recommendations which have been implemented by the International Maritime Organization (IMO), governments and the industry to successfully reduce the threats of piracy.

In addition to serving three years as co-chair of the CGPCS working group on Industry/Government Coordination of Best Practices to Prevent Piracy, the Maritime Administration (MARAD) has specifically joined with our other federal agency partners and the international community in taking substantive actions that have resulted in a significant reduction in piracy in the Horn of Africa. With our unique knowledge of U.S.-flag and international shipping, maritime labor, the marine insurance industry and global maritime business, MARAD has been able to contribute considerable expertise to the interagency effort.

MARAD also serves on the U.S. Delegation to the IMO, led by the U.S. Coast Guard. Through international cooperation at the IMO, which includes substantial input from the U.S. Delegation, the IMO has issued numerous counter-piracy guidance recommendations. This guidance

includes the Best Management Practices (BMPs) developed by industry groups and guidance for both private maritime security companies (PMSCs) and privately contracted armed security personnel (PCASPs).

Through special advisories drafted with interagency support, MARAD has regularly provided operational advice to U.S.-flag operators and mariners. These advisories have included counter-piracy recommendations and situational awareness. They have been disseminated through the MARAD website and through communication with company security officers.

MARAD has also played a key role in the training of merchant mariners through the development of maritime security courses based on IMO guidance. Working with the U.S. Coast Guard, MARAD has developed courses that have been implemented for vessel security officers, company security officers and facility security officers. MARAD continues to certify maritime security training providers who meet the criteria established by the U.S. Coast Guard. In accordance with Section 502 of the Piracy Suppression Act of 2012, MARAD, in coordination with Department of Defense, Homeland Security and the U.S. Merchant Marine Academy, is developing training in the use of force against piracy. The development of the curriculum is on schedule for certification by September 2013.

Since 2009, MARAD has worked with the Military Sealift Command (MSC) in support of Anti-Piracy Assistance Team (APAT) visits to U.S.-flag commercial vessels which are expected to transit the high risk waters in the Horn of Africa. The APATs consist of personnel from MARAD and the Naval Criminal Investigative Service (NCIS). On a voluntary basis, U.S.-flag operators request an APAT visit. An APAT is dispatched to the vessel while in a U.S. port and the Team offers recommendations of how to improve a vessel's physical defenses against piracy. The Teams also review security tactics, techniques and procedures and make appropriate recommendations. Since 2009, over 60 APAT audits have been completed on U.S.-flag vessels.

MARAD has hosted several industry/government meetings per year since the inception of the piracy crisis. These have included collaborative meetings with both the American and international maritime community and appropriate federal agencies. MARAD regularly arranges unclassified piracy briefs for interested U.S.-flag operators. These briefs are provided by the Office of Naval Intelligence.

MARAD is the lead U. S. Government agency for a training initiative designed to address the safety and welfare of seafarers through cooperation with the Association of Southeast Asian Nations (ASEAN), which supplies 20 percent of the world's seafarers. This effort, known as the Expanded ASEAN Seafarer Training program (EAST), was announced by President Obama at the East Asia Summit (EAS) on November 20, 2012, in Phnom Penh, Cambodia, as part of the Administration's broader focus on rebalancing its engagement in Asia to reflect the economic and strategic importance of this dynamic region.

The EAST builds on a July 2009 U.S.–Philippines Memorandum of Cooperation (MOC) on Maritime Counter-Piracy Training and Education. Unlike most counter-piracy training programs and initiatives that focus heavily on the security dimension of piracy, EAST will focus on the often overlooked humanitarian side of piracy, addressing issues like surviving captivity, negotiating ransoms, preserving evidence, post-capture and release, in addition to understanding the cultural, political and criminal aspects of piracy. The training program will be officially announced at the ASEAN Regional Forum Ministerial Meeting hosted by Brunei in June.

Since 2010, piracy incidents in the Horn of Africa have continued to decrease. In 2012, IMB reported that there were 36 Somali pirate attacks compared with 176 for 2011. This resulted in only 5 ships being seized in 2012 as compared to 25 in 2011.

The tangible reduction in piracy off the Horn of Africa can be attributed to several factors including:

1. Coordinated and sustained international cooperation in many forums including the IMO and the CGPCS.

2. Industry developed and adopted BMPs to combat piracy including the "hardening" of vessels and the use of citadels for crew safety.

3. The presence and successful coordination of international navies operating in the Western Indian Ocean and Horn of Africa which includes vessels from Combined Maritime Forces (CMF), NATO, European Naval Forces (EUNAVFOR) – Operation ATALANTA, India, Russia, PR China, Japan, South Korea, Iran and Malaysia.

4. Military coordination, intervention and interruption of pirate groups ashore in Somalia and the UN-sanctioned and African Union-led military operations against Al-Shabab and other extremist groups have reduced the amount of ungoverned space in Somalia available to criminal groups that exploit lawlessness to operate.

5. The arrest and prosecution of more than 1,000 pirates by several countries around the world.

6. The actions of the Somali government ashore which is slowly beginning to exercise control over the country.

7. The use of armed security teams aboard vessels transiting the region. The use of private armed security, while uncommon just a few years ago, is commonplace today.

Piracy in the Horn of Africa region has declined since its peak in 2010. This is largely due to the coordinated and sustained response by governments and the maritime industry. Unfortunately,

the problem is far from resolved and piracy continues to be a threat not only in the waters off Somalia but also in the Gulf of Guinea and in other regions of the world. The good news regarding successes in reducing piracy in the Horn of Africa proves that the threat of piracy can be beaten; but not without continued vigilance.

MARAD is proud of its many contributions which have helped stem the tide of piracy. However, more work remains to be done and we will continue to make every possible effort to work with the maritime industry and our federal partners to fight piracy until this menace is driven from the oceans of the world.

Mr. Chairman, I appreciate the opportunity to discuss MARAD's role in addressing piracy and the Subcommittee's continuing support for maritime programs. I am happy to answer any questions you and the members of this Subcommittee may have.

Subcommittee on Coast Guard and Maritime Transportation
Hearing on Update of Efforts to Combat Piracy
Wednesday, April 10, 2013

Questions for the Record to the Honorable David Matsuda, Administrator, Maritime Administration

Questions from the Honorable John Garamendi (D-CA)

Post-Piracy Traumatic Assistance for Seafarers

Mr. Matsuda, I would like to follow up on my question at the hearing regarding available support to mariners who survive a pirate hijacking or kidnapping. Specifically, I am interested in better understanding what initiatives MARAD has taken to address these concerns, and how MARAD is coordinating their efforts with governmental and non-governmental agencies.

- *What is MARAD doing to provide medical or mental health assistance to seafarers to aid in their recovery?*

  While incidents of piracy involving U.S. mariners have been rare, MARAD is well aware of the risks our seafarers face as crews on vessels transiting waters where there is pirate activity. Seafarers from many other nations have been less immune to being taken hostage and the ensuing hardships of extended captivity. In this regard, we entered an agreement with the Philippines in 2009 to cooperate on anti-piracy training and education, in order to learn from first-hand experiences of ex-hostage seafarers.

- *Is MARAD working with the U.S. maritime unions to ensure that seafarers receive appropriate assistance to ensure their physical and emotional recovery?*

  In the majority of cases, collective bargaining agreements would cover the needed health coverage for American seafarers should they become victims of piracy. In addition, the Administration's Expanded ASEAN Seafarer Training program (EAST) initiative is promoting the welfare of seafarers who have experienced piracy.

- *Does MARAD intend to expand the geographic scope of its EAST training program beyond the ASEAN region?*

  The EAST training program is now in its infancy stages having been in operation only a few years. It is a U.S. humanitarian effort with an initial focus for now on seafarers from the U.S. and the ASEAN region. The ASEAN countries include Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Myanmar, Cambodia, Laos, Indonesia and Vietnam. We anticipate that the EAST initiative will broaden its geographical focus in future years.

Anti-Piracy Assistance Teams (APAT)

Mr. Matsuda, MARAD's work with the Military Sealift Command in support of Anti-Piracy Assistance Teams to conduct audits of U.S.-flag commercial vessels has provided valuable technical assistance to improve the physical defenses of vessels that transit high risk waters off the Horn of Africa.

- *According to your statement at the hearing, APATs have conducted 60 audits. What percent of the U.S. flag foreign trade commercial fleet does that represent?*

  Approximately 15-20 percent of U.S.-flag vessels in foreign trade have had APAT audits conducted. While more than 60 audits have been conducted, those audits have not been on 60 separate ships. Some carriers have had more than one APAT conducted on a single vessel since seafarers on board work on a rotational basis; while other carriers have not requested any APAT audits.

- *In general, have U.S. carriers and maritime labor embraced APAT audits?*

  As noted above, some carriers have embraced the APATs and have requested multiple audits for their vessels. Other carriers have not requested an audit. When conducted, APATs have been embraced by ships' crews.

- *Will budget cuts imposed by sequestration impact MARAD's ability to continue its APAT participation?*

  It is possible sequestration will restrict travel budgets needed to conduct APATs, but the full impact is unclear and will depend on the number of APATs requested.

- *Should APAT audits be mandatory and not voluntary by virtue of the fact that these vessels are carrying government impelled cargoes?*

  The U.S. Coast Guard reviews every U.S.-flag vessel's security plan. This review, in addition to input from the ship's Master and Company Security Officer, determines if an APAT is recommended.

Testimony
Assistant Secretary Andrew Shapiro
Bureau of Political-Military Affairs
U.S. Department of State
Before the House Committee on Transportation and Infrastructure's
Sub-Committee on Coast Guard and Maritime Transportation
Hearing on "Update on Efforts to Combat Piracy"
April 10, 2013

Mr. Chairman and Members of the Committee: thank you for inviting me to discuss the national security problems posed by piracy and maritime crime. As a maritime nation we rely on the unhindered use of the oceans to ensure our economic well-being, our national defense, and the safety of our fellow citizens wherever they travel. Moreover, we seek to ensure the same for all nations. That the world is a better place when its oceans are safe for use by all has been a basic tenet of American policy since the earliest days of our nation and remains a focus for our government today.

When I first started this job in the summer of 2009, Somali piracy was spiraling out of control. Attacks were escalating and pirates were expanding operations far into the Indian Ocean. Ransom payments in the millions brought more and more Somali men to the water. When my Principal Deputy last spoke to this sub-committee two years ago, Somali pirates held nearly 600 mariners hostage and pirates roamed an area as large as the continental United States in their search for new victims. In addition to the threat posed to innocent mariners, pirate activity was costing the global economy an estimated $7 billion a year.

Piracy emanating from Somalia represented a perfect storm for the international community – a weak state in a strategically essential location, harboring a rapidly growing transnational criminal enterprise that threatened a vital artery of the global economy. Action *had* to be taken. This prompted Secretary Clinton in 2010 to call for a new strategy aimed at tackling pirate networks and putting pirates out of business. This commitment to tackling piracy has also been affirmed by Secretary Kerry. And now – after years of hard work, building a novel international forum and pursuing innovative policies and partnerships – the number of successful pirate attacks has plummeted.

According to figures from the U.S. Navy, there was a 75 percent decline in overall pirate attacks in 2012 compared with 2011. Independent, non-

governmental sources, such as the International Maritime Bureau, also indicate a dramatic drop in attacks.

We are seeing fewer attempted attacks in no small measure because pirates are increasingly less successful at hijacking ships. For example, in 2012, pirates captured just ten vessels, compared to 34 in 2011 and 68 in 2010. Remarkably, the last successful Somali pirate attack on a large commercial vessel was on May 10, 2012, – nearly one year ago.

The lack of success at sea means that Somali pirates are holding fewer and fewer hostages. In January 2011, pirates held 31 ships and 710 hostages. Today, Somali pirates hold hostage two ships and 60 mariners. That is a more than 90 percent reduction in hostages held by pirates since January 2011. While having just one hostage is still unacceptable, the trend is clear.

Now let me be clear – piracy remains a threat. Pirates at sea are still searching for ships to target as we speak. In fact, just last week a merchant ship successful fended off an attack by pirates off the coast of Somalia. So the threat remains, but the progress that has been made is also real and remarkable.

I would like to briefly outline our approach to tackling piracy off the coast of Somalia.

The Obama administration developed and pursued an integrated multi-dimensional approach to combat piracy, the overriding objective of which was to make sure that piracy didn't pay. Piracy above all is a business. It is based on the potential to make money by preying on the vast supply of ships that pass through the waters off Somalia. We have worked to make the pirate's business model less, if at all, profitable. Pirates today are having more trouble finding helpless victims and, as a result, often operate at a loss.

This has truly been an international and an inter-agency effort. I will let my colleagues speak in more detail about the remarkable international naval effort off the coast of Somalia, which has been a critical component of our efforts to combat piracy. The naval effort has helped create a protected transit corridor and has helped ships in need and deterred pirate attacks. However, there is often just too much water to patrol. While naval patrols are an absolutely essential component of any effective counter-piracy strategy, we recognized that we needed to broaden our efforts.

First, the United States has helped lead the international response and galvanize international action. As the State Department's Quadrennial Diplomacy and Development Review concluded, "solving foreign policy problems today requires us to... bring countries and peoples together as only America can." This is exactly what the United States has done when addressing the problem of piracy.

All countries connected to the global economy have an interest in addressing piracy. And at a time when the United States was engaged in two wars, this was not a challenge that should simply have fallen on our shoulders alone. We therefore sought to make this a collective effort and build new kinds of partnerships and coalitions.

In January 2009, the United States helped establish the Contact Group on Piracy off the Coast of Somalia, which now includes over 80 nations and international, and industry organizations bound together on a voluntary basis. The Contact Group meets frequently to coordinate national and international counter-piracy actions. The Contact Group has become an essential forum. It helps galvanize action and coordinate the counter-piracy efforts of states, as well as regional and international organizations. Through the Contact Group, the international community has been able to coordinate multi-national naval patrols, work through the legal difficulties involved in addressing piracy, and cooperate to impede the financial flows of pirate networks.

Second, the United States has sought to empower the private sector to take steps to protect themselves from attack. This has been perhaps the most significant factor in the decline of successful pirate attacks and here too our diplomatic efforts have played a critical role.

We have pushed the maritime industry to adopt so-called Best Management Practices – which include practical measures, such as: proceeding at full-speed through high risk areas and erecting physical barriers, such as razor wire. The U.S. government has required U.S.-flagged vessels sailing in designated high-risk waters to fully implement self-protection measures. This has helped harden merchant ships against pirate attack.

But perhaps the ultimate security measure a commercial ship can adopt is the use of privately contracted armed security teams. These teams are often made up of former members of various armed forces, who embark on merchant ships and guard them during transits through high risk waters. The use of armed security teams has been a ***game changer*** in the effort to combat piracy. To date, ***not a***

single ship with armed security personnel aboard has been successfully pirated off the coast of Somalia.

For our part, the U.S. government led by example. Early on in the crisis we permitted armed personnel aboard U.S.-flagged merchant vessels in situations where the risk of piracy made it appropriate to do so. We also made a concerted diplomatic effort to encourage port states to permit the transit of armed security teams. This included working with countries to address the varying national legal regimes, which can complicate the movement of these teams and their weapons from ship-to-ship or ship-to-shore. American Ambassadors, Embassy officials, and members of our counter-piracy office at the State Department pressed countries on this issue. I myself, in meetings with senior officials from key maritime states have made the case that permitting armed personnel aboard ships is an effective way to reduce successful incidents of piracy. U.S. diplomatic efforts have therefore been critical to enabling the expanded use of armed personnel.

Third, we have sought to deter piracy through effective apprehension, prosecution and incarceration of pirates and their networks. Today, over 1,000 pirates are in custody in 20 countries around the world. Most are, or will be, prosecuted and face lengthy prison terms, if convicted. The United States has encouraged countries to prosecute pirates and we have supported efforts to increase prison capacity in Somalia. We have also sought to develop a framework for prisoner transfers so convicted pirates serve their sentence back in their home country of Somalia.

But as piracy evolved into an organized transnational criminal enterprise, it became increasingly clear that prosecuting low-level pirates at sea was not on its own going to significantly change the dynamic. We also needed to target pirate kingpins and pirate networks. As any investigator who works organized crime will tell you – we need to follow the money.

This focus is paying off. Today, we are collaborating with law enforcement and the intelligence community, as well as with our international partners like Interpol, to detect, track, disrupt, and interdict illicit financial transactions connected to piracy and the criminal networks that finance piracy. We have also helped support the creation of the Regional Anti-Piracy Prosecution and Coordination Center in the Seychelles. This Center hosts multinational law enforcement and intelligence personnel who work together to produce evidentiary packages that can be handed off to any prosecuting authority in a position to bring charges against mid-level and top-tier pirates.

This is having an impact. A number of Somali pirate leaders have publicly announced their "retirement" or otherwise declared their intention to get out of the business. Needless to say we and our international partners remain committed to apprehending and convicting these pirate leaders. But it does show they are feeling the impact of our efforts.

Lastly, the most durable long-term solution to piracy is the re-establishment of stability in Somalia. The successful Somali political transition in 2012 that put in place a new provisional constitution, new parliament, and a new president is clearly a step in the right direction, but much remains to be done. Supporting the emergence of effective and responsible governance in Somalia will require continued, accountable assistance to the Somali government to build its capacity to deal with the social, legal, economic, and operational challenges it faces. Once Somalia is capable of policing its own territory and its own waters, piracy will fade away. To that end, the United States continues to support the newly established government in Mogadishu.

The comprehensive, multilateral approach that we have pursued has helped turn the tide on Somali piracy and has provided an example of how the U.S. government and the international community can respond to transnational threats and challenges in the future. We have made great strides and we need to ensure that those gains are not discarded.

Before I close I would just note that in recent months we have noted a disturbing increase in the incidence of maritime crime, including piracy and armed robbery at sea, off the coast of West Africa, specifically in the Gulf of Guinea. While in Somalia, we faced an absence of government until the recent successful political transition in 2012, in the Gulf of Guinea the exact opposite holds true. There are many sovereign governments - with varying degrees of capability - but all with their own laws, their own interests. The tools and relationships we built to roll back Somali piracy are not easily transferable to the Gulf of Guinea. Success in West Africa will depend more on the political will of regional governments to take the steps needed to curtail criminal activity. We can support with capacity building efforts and have an impressive list of those efforts underway. But ultimately tackling this challenge will depend on the countries in the region.

With that, I want to thank you for having me here today and I look forward to your questions.

Questions for the Record
by Representative John Garamendi
House Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation
April 10, 2013

Question 1:

One of the challenges to deterring piracy that was raised during the subcommittee's March 16, 2011 piracy oversight hearing was that there were few legal venues available in Africa to prosecute and incarcerate apprehended pirates. Judging from your statement at the hearing, the U.S. Government has made progress in working with international partners to address this issue.

Can you please comment further on the progress that has been made and what additional actions the administration intends to pursue to strengthen these efforts?

Answer:

Regional states in proximity of the Horn of Africa have limited judicial capacity to prosecute suspected pirates (SPs) captured by international navies patrolling the Gulf of Aden and Western Indian Ocean. Regional countries with the potential to prosecute SPs expressed their reluctance to take on this task due to the burden it could place on their prison systems.

After assessing national capabilities, we determined that the most capable countries to prosecute included the Seychelles and Kenya. Working with international partners and the UN Office on Drugs and Crime

(UNODC), we have collectively made progress in improving the security and living conditions in various prisons in the Seychelles, Kenya, and in Somalia. Additionally, we, in conjunction with our partners, have worked through UNODC to improve the judicial capacity of these countries, enabling them to prosecute apprehended SPs. Finally, we supported UNODC in forging an agreement between the Government of the Seychelles and Somali officials to enable convicted pirates to be transferred to Somali prisons to serve out their sentences, relieving prison overcrowding in the Seychelles and enabling their judiciary to accept additional cases.

With the greatly reduced incidents of Somali pirate attacks, we are comfortable that the current arrangements in the region provide sufficient venues for prosecution and incarceration of captured pirates.

Questions for the Record
by Representative John Garamendi
House Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation
April 10, 2013

Question 2:

Would you please summarize the current status of our efforts to assist in the restoration of a stable governance regime in Somalia and to provide aid for capacity-building?

Answer:

The United States has a broad range of assistance programming designed to help federal, regional, and local authorities in Somalia build credible governing institutions, enhance security, promote economic growth and job creation, and expand the delivery of critical basic services. This includes democracy and governance assistance to improve transparency and accountability, institutional development, and adherence to democratic principles and practices. U.S. government support also provides economic assistance to improve educational and employment opportunities, especially for Somali youth, facilitate the provision of basic social services, and address critical humanitarian needs; and security sector assistance to build a sustainable, professional Somali military, police service, and justice sectors that can deter future threats and protect human rights.

Questions for the Record
by Representative John Garamendi
House Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation
April 10, 2013

Question 3a:

What level of cooperation has the U.S. government received from the governments of other countries to coordinate and assist our efforts to detect, track and disrupt illicit financial transactions related to piracy?

Answer:

The governments of other countries have provided strong cooperation in coordinating with us and assisting our efforts to detect, track, and disrupt illicit financial transactions related to piracy. The Contact Group on Piracy off the Coast of Somalia (CGPCS), a group of 62 countries and 21 organizations with a common interest in eliminating piracy from the Gulf of Aden and the Indian Ocean, established a Working Group on Illicit Financial Flows at its 9th Plenary Session in July 2011 to tackle this issue. This group has successfully promoted information sharing internationally and between industry and government authorities to disrupt the pirate enterprise ashore and worked with other key partners such as INTERPOL, national law enforcement and prosecution agencies, and the World Bank to better understand how illicit financial flows associated with maritime piracy are

moving in the region. Our international partners have participated robustly in these efforts.

Questions for the Record
by Representative John Garamendi
House Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation
April 10, 2013

Question 3b:

How will the activities and operations undertaken at the new Regional Anti-Piracy Prosecution and Coordination Center in the Seychelles be supported over the long-term? What is the U.S. government's contribution to this new center?

Answer:

The Regional Anti-Piracy Prosecution and Coordination Center (RAPPICC) will be subject to three tiers of governance providing clear accountability and oversight at the operational and strategic levels. These tiers will consist of the Co-Directors (which we expect to be from the UK and the Seychelles), the Management Board, and the Steering Group.

Two Co-Directors will lead the Center. The RAPPICC Management Board will oversee at the local level in Seychelles and by the RAPPICC Steering Group will oversee at International level. The RAPPICC Steering Group will report progress and developments to the relevant working groups of the Contact Group on Piracy off the Coast of Somalia (CGPCS).

The Co-Directors will be responsible for the day-to-day management of RAPPICC. The Co-Directors will have responsibility for ensuring financial accountability, audit and control of assets, instituting effective

management practices and ensuring the center engages with key partners in law enforcement, intelligence agencies, multilateral partners, NGOs and commercial stakeholders within the maritime shipping and associated insurance and risk management industries.

The Management Board will meet quarterly to review the progress and outputs from RAPPICC. They will receive regular reports on financial and resource management from the Co-Directors and act as advisors on the strategic communication strategy for the center. They will act as a Board for escalation and resolution of any day-to-day management issues.

The Steering Group will provide the strategic oversight for RAPPICC, reviewing its overall direction, focus and use of funds. The Steering Group will also be responsible for appointing the First Protector of the RAPPICC Trust Fund. This person will be designated by the Seychelles Ministry of Finance and responsible for communicating the Steering Group's decisions on use of money in the Trust Fund to the Trustee. The Steering Group will also be responsible for deciding the annual budget for RAPPICC.

We are still considering the extent and manner of U.S. participation in RAPPICC. To date, we have provided tangible support by funding the installation a computer server in Lyon, France to permit RAPPICC analysts access to INTERPOL's Global Piracy database. We anticipate that this

server and the database will prove to be critical tools for the international community as we continue to work to disrupt Somali piracy networks ashore.

STATEMENT

OF

NEIL SMITH
HEAD OF UNDERWRITING
LLOYD'S MARKET ASSOCIATION

BEFORE A HEARING OF

THE SUBCOMMITTEE ON COAST GUARD AND MARITIME TRANSPORTATION OF THE HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

ENTITLED

"UPDATE OF EFFORTS TO COMBAT PIRACY"

APRIL 10, 2013

Introduction

Good afternoon, Chairman Hunter, Ranking Member Garamendi, and members of the subcommittee. I am pleased to be here today to discuss the role of the insurance sector in the ongoing efforts to combat piracy. I appreciate the opportunity to do so.

While there are a number of other maritime insurance hubs, I am speaking here on behalf of the Lloyd's insurance market based in London. I should also make it clear that Lloyd's is not an insurance company but is an international insurance market where syndicates of underwriters transact business on behalf of managing agents for their own account and risk. Individual insurance policies are arranged by firms of insurance brokers, authorised to transact business in the Lloyd's Market with the syndicates.

Apart from the Market itself, the role of two other bodies require comment: Firstly, the Corporation of Lloyd's, a body incorporated by Lloyd's Act 1871 (an Act of the UK Parliament), supervises and provides the physical premises and support services for the Lloyd's Market but does not insure or underwrite risks.

The second body is the Lloyd's Market Association (LMA) which is an independent association providing services to and representing the interests of the managing agents represented in the market across the broad spread of market activity. All managing agents at Lloyd's are members of the LMA.

Background

In order to understand the role of the marine insurance industry in relation to the treatment of maritime piracy it is important to understand some background. The maritime sector has had to deal with the problem of piracy since the very earliest days of maritime trade. The first recorded reference to piracy relates to incidents in and around the Aegean and Mediterranean in the 13th Century BC. Since then, pirates have operated in many guises, across all oceans of the world. For many people, their perception of

piracy is heavily influenced by the many popular entertainment depictions of pirates -- such as the recent films with Johnny Depp. The reality, however, is that piracy has plagued our oceans long before and long since the period reflected in these swashbuckling films.

Reflecting this reality, from the insurance perspective, piracy has been a traditional coverage for our clients for as long as there have been marine policies. Within London and the Lloyd's market, the detailed treatment of piracy has changed over the years, but the cover has been available as a basic part of their insurance protection.

In the latter part of the 20th Century piracy was an ongoing problem, evidenced by the International Chamber of Commerce (ICC) establishing the International Maritime Bureau (IMB) Piracy Reporting Centre in 1992. In the period between 1991 and 1998 the IMB reported an average of 160 piracy attacks per year.[1] From an insurance perspective however, because of the nature of these attacks, the impact was not significant. The reported events were limited in geographical scope, focussed mainly on small, coastal vessels with the pirates boarding and leaving the targeted craft having taken cash and easily portable items. Crew were traumatised, but not usually injured, and the vessel could continue on its way. Even if the vessel were insured in a major international market the monetary amounts involved would fall below the insured's deductible (the amount which the shipowner would self-insure).

In the early part of the 21st Century, pirate activity became a new focus of attention for the shipping and insurance community in and around the Malacca Straits - long a hot bed of piratical attacks, and a major trade route for vessels moving goods between Asia and global markets. Along with an increase in the number of attacks in the Straits, the perpetrators were more sophisticated in terms of equipment and their organisation. In the post 9/11 environment there were suggestions that these developments could be due to terrorist groups using these activities to fund their operations.

Pressure from the maritime community, including steps taken by marine insurers, to highlight the security and policing arrangements around Malacca meant that the Governments in Indonesia, Malaysia and Singapore worked together to co-ordinate anti-piracy activity thus reducing the level of incidents down to a more manageable level.

It is against this background of ongoing pirate activity in other regions that the Somalian situation first came to public attention in November 2008 when the *Sirius Star*, a fully laden oil tanker, was taken by pirates. It was not the first attack in the region, but it was the first event to raise the profile of these activities to the general public and media.

From the maritime perspective, the interesting development with regard to this region is that the pirates' behaviours have fundamentally altered in that the pirate groups recognise that the vessel, crew and cargo are valuable assets. The political environment which existed in Somalia, along with the geographical location alongside one of the world's major shipping lanes, combined with the seagoing expertise of the original pirate groups, and the long tradition of on land kidnap and ransom created a "perfect storm" which the pirate groups exploited to the maximum.

The change in behaviours, linked to the high level of activity, have caused some technical coverage issues for the insurance market where the traditional focus for piracy cover has been related to physical loss or damage to the vessel. The Somalia model, which equates more to a kidnap and ransom scenario, has meant that the marine market has had to

[1] ICC IMB Piracy Reporting Centre Annual Report 1998

adapt its traditional approach to this particular peril. It has also led to the development of specific insurance products to meet this new challenge for the marine client base.

Setting Somalia aside, during 2012 there has been a developing trend of attacks on vessels moving oil offshore in the Gulf of Guinea. These attacks are in three types; the opportunist theft of portable goods from the ship, the organised theft and transhipment of oil cargoes and the kidnapping of crew from service vessels. It is believed that these attacks are undertaken by local groups, and are not linked to pirate groups from Somalia.

The Role of Insurers

The main focus of the insurance sector has been to work alongside the shipping community to attempt, as far as possible, to reduce the risks from piracy in those areas of the world where the threat is significant. The marine insurance sector cannot do this in isolation, as it operates in a fiercely competitive commercial environment, and in many cases is also impacted by various competition restrictions which prevent the sector from being as proscriptive as it might otherwise wish to be.

As a starting point, the insurance industry as a whole has continued to provide piracy cover, as this is seen as a fundamental requirement for its client base. Alongside this, and with specific reference to Somalia, the insurance sector has worked with the wider shipping community and with associated naval and military forces on initiatives such as the development of the Best Management Practices (BMP). The BMP, which is currently in its fourth iteration, outlines a series of recommendations and measures which shipowners may adopt in order to mitigate the risk of a successful piracy attack in the high risk area in the Indian Ocean. Many observers have asked why the insurance sector has not mandated the use of BMP. Firstly it is not a legal document and has many subjectivities, but more broadly the regulatory environment which exists within the EU means that this option is not open to insurers as a body in the London market.

Individual insurers will ask detailed questions of shipowners whose vessels are trading into the areas impacted by the problem of Somalian piracy, including the adoption and use of BMP, and will make decisions on coverage dependant on the responses received.

A further focus for the shipping industry has been the increased use of private security firms which provide armed protection for vessels transiting the High Risk area. The carrying of weapons on commercial vessels is a thorny legal issue in itself. Individual insurers will look at the use of such firms as part of the vessel owner's overall package of actions taken to mitigate the piracy threat. This has to be measured against the potential downside that badly equipped and/or poorly trained armed guards could escalate the risk of loss of life among the crew and loss or damage to the vessel and its cargo.

Alongside these initiatives, insurers have been cognisant of the invaluable support of the various military units operating in and around the Gulf of Aden and out into the Indian Ocean. Insurers have been party to much of the communication with the shipping industry and recognise that the collective efforts being made by the naval forces have had a very beneficial impact in reducing the success rates of pirates in the affected area. The level of co-operation between the commercial sector and the military has been refreshing, and provides a useful lesson for future challenges. The co-operation between the militaries has been very remarkable. These efforts, and the associated financial commitment from the Governments involved, have been particularly appreciated in the current global economic environment.

Perhaps the most challenging aspect of the Somali piracy problem is the lack of an effective government onshore to assist international counter-piracy efforts. In its report *Maritime Security Partnerships*, the National Research Council of the National Academies concluded that in the 2005 Malacca Straits situation, Lloyd's and its network played a critical role, along with certain other maritime interests, in helping the coastal states improve regional cooperation and security, which the Council recognized to be an essential feature of counter-piracy efforts.[2] In Somalia, however, such avenues are limited given the lack of an effective government to exert any influence over pirate groups.

Insurers have also been engaged with the ongoing role of regulators in looking at the money trail which arises following the payment of ransoms following a piracy event. From a Lloyd's perspective this is a particularly important aspect of our work. Lloyd's has a valuable brand and reputation to protect in the US so our involvement in discussions with OFAC in the practical issues arising from the payment of ransoms has been particularly helpful.

I should make it clear here that property insurers are not directly involved in the negotiation or payment of ransom moneys. These negotiations take place between shipowner representatives and representatives of the pirate groups. Once an agreement is reached, property insurers will be involved through the ancient marine concept of General Average ("GA") (a concept as old as, if not older than, piracy itself). GA allows the shipowner to ensure that costs incurred for the safe completion of a maritime adventure are shared across all parties involved. Once an owner has declared General Average the various parties will contribute according to a complex charging structure based on values of the ship and cargo, and the hull and cargo insurers will therefore be major contributors. It is interesting to note, bearing in mind the earlier comments relating to the position of the crew in relation to the current problems, that the crew liability is not covered by hull and cargo underwriters. This is covered separately by the Protection & Indemnity Clubs, mutual groups funded by the shipowners. P & I Clubs are not traditionally involved, as a matter of maritime law and practice, in funding GA payments. But this is an issue which property insurers feel should be addressed in the longer term.

Conclusion

It is estimated that around 90% of world trade is carried by the international shipping industry. It is a largely invisible driver of global trade. The threat of piracy is one which the industry has had to address since the advent of international trade, and the most recent evolution in Somalia, and the more recent developments off Nigeria show that the problem continues to be a significant one.

Marine insurers see themselves as an integral part of the shipping sector, but do not have the power or influence to fundamentally impact the threat of piracy in isolation. Insurers can, and do, work alongside the other stakeholders in the shipping industry, including Governments and regulators, in order to help reduce the risks that pirate groups pose to international trade.

I would of course, be happy to answer any questions of detail you may have with regard to my comments.

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[2] See National Research Council, *Maritime Security Partnerships* 193-4 (2008).

Subcommittee on Coast Guard and Maritime Transportation
Hearing on Update of Efforts to Combat Piracy
Wednesday, April 10, 2013

Questions for the Record to Mr. Neil Smith,
Head of Underwriting, Lloyds Market Association

Questions from the Honorable John Garamendi (D-CA)

Impact of Piracy on Marine Insurance Industry

Mr. Smith, Mr. Matsuda mentioned in his statement at the hearing that shipping companies have been forced to pay higher insurance premiums among other increased costs for transiting high risk waters off the Horn of Africa. You have acknowledged that the marine insurance industry has continued to provide piracy coverage despite the increased risk but make no mention about the added cost to maintain this coverage that is borne by the shipowner.

- *On average, can you tell me how much the price has increased for piracy coverage as a result of the escalation of piracy activities off the Horn of Africa?*

ANSWER: It is not possible for the LMA to respond on specific questions on pricing in relation to piracy coverage. The LMA does not collate pricing data relating to any of its members' underwriting activities, and discussion of price related issues are specifically prohibited within the LMA's Committees and Business Panels due to competition and anti-trust legislation.

Having said this, we can comment on the general likely trends in relation to pricing for piracy risks on vessels transiting the Gulf of Aden and surrounding waters. War risk coverage in respect of vessels, under which piracy cover is usually provided within the London Market, is normally provided on an annual basis. This means that the vessel is covered throughout its trading operations during a given policy year. The annual rate for hull war policies tends to be negotiated at a low level, reflecting both the competitive nature of the market, and the comparatively low risk associated with "global" war and related perils from a maritime perspective. Additionally, the policy incorporates a mechanism which identifies specific geographical areas and regions where the risk from insured perils is regarded as being enhanced. The coverage will then usually be subject to a set of "trading limitations" in respect of areas which offer enhanced exposure to war, terrorist strikes and related perils over and above those accepted by the underwriter under the negotiated annual rate. Vessel owners who wish to send vessels into areas included on the relevant List are required to notify their war risk insurers so that the specific terms and conditions for the voyage can be individually negotiated. Insurers will make an individual assessment of the risk as they see it for vessels going into the area, and will negotiate a premium which reflects their view of this risk. This assessment will vary from insurer to insurer,

based on a number of factors including their own risk appetite, and their existing levels of exposure. The usual trend will often be that insurers may charge a significant additional premium at the outset when there is no clear indication as to the nature and extent of exposure, but this will ameliorate as additional information becomes available and/or the insurers' view of the risk develops through experience.

Individual pricing will vary greatly from insurer to insurer based on the specific details of the individual insureds, and the insurers own appetite for risk. It is worth noting that in studies of shipowner expenses, insurance is identified as a relatively small proportion when compared to fuel and crew costs.

- *How did this increase compare with other past risks that have affected maritime insurance premium rates, such as past piracy attacks in the Malacca Straits?*

ANSWER: As stated above, the LMA does not have access to specific rating details but, there is no reason to believe that the pattern of pricing for the Somali situation would have varied to any great extent from that experienced for the Malacca situation, although the time frame was significantly less for Malacca. It should be recognized that the hull insurance market is highly competitive and price sensitive so that insurance pricing will very quickly adjust in the light of specific events and developments. This reactivity is further facilitated by the skilled insurance brokers who are active in negotiating cover on behalf of the shipowners.

Effect of Piracy on General Average Determinations

Mr. Smith, in your statement at the hearing, you mentioned that the shift evident in Somali piracy – from changing the focus to holding the crew for ransom rather than simply hijacking the vessel and cargo – has been a game changer for the marine insurance industry and prompted internal discussions concerning the longstanding practice of General Average as it applies to ransom payments for crew members.

- *Can you please describe why the shift by Somali pirates to focus on ransom payments for crew members has sparked these discussions within the industry?*
- *What are the ramifications?*

ANSWER: I am responding here on behalf of hull and cargo property insurers. As stated during the Hearing, the marine insurance market in London has provided piracy cover for their clients for centuries. Piracy cover in this context is primarily physical loss or damage to the vessel (for hull insurance) and for the cargoes (for the separately negotiated cargo insurances) caused during an attack by pirates. In addition to the specific physical loss/damage coverage, the "model" clauses used in London for hull and cargo coverage also cover General Average expenses as the result of a loss arising from an insured peril (in this case, piracy).

The cover for General Average expenses under the physical loss or damage policy reflects the fundamental nature of the principle of GA within the maritime sector.

Declaration of GA by the shipowner will result in the insurers becoming party to the subsequent GA adjustment, and this position is codified within the insurance policy language.

Calculation of GA expenses is a complex issue, but in simple terms it requires a specific expenditure or loss which is made for the benefit of those involved in the overall voyage, with that expenditure then being shared by all involved parties. In the context of Somalian piracy, shipowners will declare General Average in relation to the costs and expenses incurred in relation to the negotiation and payment of ransom. From a property insurers' perspective this may be regarded as an extension of the traditional remit of GA, but from a legal stand-point is, according to our legal advices, perfectly reasonable. The negotiation/payment of significant sums in relation to crew ransom has not been a factor for "traditional" piracy cover in the past, and has only become a factor because of the piracy model adopted by the Somalians in relation to the focus on crew ransoms. The problem from a cargo perspective is that cargo insurers are exposed to significant GA contributions (because the value of the cargo can be many multiples of the value of the hull) in circumstances where they have little, if any, ability to price for this exposure.

The declaration of GA in the context of piracy is something which needs to be properly considered by the maritime community as a whole. As a fundamental principle of maritime law, changes to GA are undertaken through a group called the Comite Maritime International (CMI) which encompasses all of the impacted parties. Any adjustments to the GA process would need careful consideration to ensure that the existing arrangements, which are the result of negotiations undertaken over many decades within CMI, are not adversely impacted by changes proposed to deal specifically with the problems posed by Somali piracy.

- *In your statement at the hearing, you mentioned the concept of General Average and explained why the various stakeholders in a shipping venture -- including the hull and cargo insurers -- will share in any expenses from a venture arising from a piracy attack, yet the P&I Clubs are not included in such calculations. Can you explain why that is, and whether you think it is fair to the other maritime industry stakeholders?*

ANSWER: I am not an expert on the intricacies of GA, but I would suggest that the focus of GA onto the physical loss/damage property insurers and interest reflects the fact that in the majority of cases, when a vessel gets into difficulties during a voyage/transit the GA is declared to save the vessel and or cargo. P & I insurers are primarily responsible for shipowners' liabilities and are, in any case, mutual insurance pools funded by the shipowners themselves. As mentioned in my response to the previous question, any proposal or suggestion that the current arrangements for GA are amended, including any amendment to the contributing parties, would need detailed debate and agreement across the maritime community through the CMI.

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